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## THE BRITISH EMPIRE IN AUSTRALIA

*by the same author*

BRITISH IMPERIALISM AND AUSTRALIA 1783-1833

THE AUSTRALIAN PEOPLE 1788-1945

# THE BRITISH EMPIRE IN AUSTRALIA

AN ECONOMIC HISTORY  
1834 - 1939

BY  
BRIAN FITZPATRICK



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## PREFACE

THE present edition has been prepared for the use of undergraduate students of history and economics. For their convenience and the comfort of general readers, a statistical introduction, twenty appendices and about a hundred footnotes included in the first edition (1941) have been omitted. These were intended as fingerposts for research students, and their omission does not attenuate the narrative to anything like the extent of the pages they occupied. The main body of the text has, however, been slightly modified in this edition. Most of the changes were made in order to meet the requirements for a relatively inexpensive book, but some represent olive branches offered to reviewers of the original edition. The most notable changes, all falling in the first of these categories, are the omission of the Contemporary British Politics section of the original Chapter I, and some cutting of Chapter VIII. The index has been revised and readers should note that individual statutes and organizations are listed under the general headings of Acts, Banks, Companies, and Trade union and employers' associations. Readers whose particular interest lies in the history of labour relations, industrial arbitration and public business undertakings can find amplification of the story as given here, in the writer's *A Short History of the Australian Labor Movement* (2nd edition, revised and enlarged, Rawson's Bookshop, Melbourne, 1944) and in his pamphlets, *The Basic Wage: What IS Its Basis?* (1941), and *The Rich Get Richer and Public Enterprise DOES Pay* (1944).

The book completes an outline (to 1939, with some few references to subsequent events) which was commenced in *British Imperialism and Australia 1783-1833* (London, George Allen and Unwin, 1939), the theme common to both books being the history of Australian development in relation to British imperial expansion. The whole work took four years, during two of which the research and the publication of the results, were endowed by grants from the Harbison-Higinbotham, State Government and Bartlett foundations in the University of Melbourne. The character of the book was influenced most by the writer's wife, then Miss Dorothy Davies, tutor and research worker in the University of Melbourne, and by Mr. C. Hartley Grattan, Carnegie Research Fellow in Australia in 1937-38. Dr. (formerly Mr. Justice) Evatt and Professor R. M. Crawford gave consistent help and encouragement.

BRIAN FITZPATRICK



# CONTENTS

CHAPTER	PAGE
PREFACE	v
I CONDITIONS OF BRITISH EXPANSION, 1831-40	1
i Financial and Economic Development	
ii Condition of the Working Classes	
iii Foreign and Imperial Policies	
iv Company Colonization of South Australia and New Zealand	
II THE EXPANSION OF AUSTRALIA, 1834-40	31
i Finance and Politics of the Pastoral Extension	
(a) New South Wales;	
(b) Van Diemen's Land	
ii The Pastoral Extension	
iii The Labour Problem	
III PASTORAL AUSTRALIA IN IMPERIAL ECONOMY, 1841-50	71
i Crisis and Depression in the Pastoral Colonies	
ii Imperial Policy and its Bases	
iii The Pastoral Labour Supply: the British Wool Market	
iv Economic Condition of the Australasian Colonies, 1850	
IV ECONOMIC CONSEQUENCES OF THE AUSTRALIAN GOLD DISCOVERIES	102
i The Gold Mines of Australasia	
ii Britain's New Colonial Market	
iii Capital Import and Public Utilities	
iv Economic Condition of the Australasian Colonies, 1860	

V	DEVELOPMENT OF THE ECONOMY OF MODERN AUSTRALIA AND NEW ZEALAND, 1861-90	130
i	The Wool Industry	
ii	Land Selection Legislation	
iii	Wheatgrowing	
iv	Irrigation	
v	Railway Construction and Capital Import	
vi	Communications	
vii	The Meat Export Industry	
viii	The Dairy Products Export Industry	
ix	The Mining Revival	
x	Manufactures	
xi	Tropical Agriculture	
xii	Australian Imperialism	
xiii	The External Trade of Australasia	
VI	LABOUR RELATIONS, 1860-1912	194
i	Occupations of the People	
ii	Industrial Legislation	
iii	History of Trade Unions and Employers' Associations	
iv	The Great Strikes	
v	Industrial Conciliation and Arbitration	
vi	Strikes and Lock-outs after Federation	
VII	FURTHER ECONOMIC DEVELOPMENT, 1891-1912	241
i	Commerce and Industry	
ii	The State and the Producer	
iii	Economic Crisis and Depression in the 'Nineties	
iv	Social-Economic Factors Making for the Federation of the Australian Colonies	
v	The New Protection, and Labour Party Legislation	
VIII	THE MODERN AUSTRALIAN COMMUNITY	269
	Introductory	
i	The Economic Framework	
	(a) Pastoral and Agricultural Production;	
	(b) Mining and Manufacturing (including Heavy Industry), and Public Utilities	

## CONTENTS

ix

- ii The Financial Basis
- iii Markets
- iv The Worker in Industry
  - (a) Wage Standards and Their Regulation
  - (b) The Trade Union Movement
- v The Role of the State

INDEX

349



## CHAPTER I

### CONDITIONS OF BRITISH EXPANSION 1831-40

- i Financial and Economic Development
- ii Condition of the Working Classes
- iii Foreign and Imperial Policies
- iv Company Colonization of South Australia and New Zealand

#### i. *Financial and Economic Development*

ENGLISH wholesale prices fell steadily from 1818 to 1833, and then rose to 1839. The largest source of national income, as far as exportable goods are concerned, was the cotton manufacture. The value of cotton goods exported was about half of the total value of British production exported in the 'thirties. In 1842 the bottom dropped out of the market for twelve years until the gold discoveries in California and Victoria restored it. The cottons and other manufactures for the most part went to Europe (44 per cent) and the United States of America (17 per cent) in 1834; about 10 per cent went to Asiatic countries, 10 per cent to British North America and West Indian possessions, and 10 per cent to Central and South America, which latter markets had been improved by the Canning-Huskisson policy of the previous decade. But the three British colonies in Australia—New South Wales, Van Diemen's Land, and the Swan River Settlement in Western Australia—took only a sixtieth of the value of United Kingdom production exported.<sup>1</sup>

The cottons manufacture was as yet the only major industry that was thoroughly mechanized; in 1835 there were 109,000 power looms in use in the cotton mills compared with 3,000 in worsteds. (The power loom did not predominate in the woollens industry until more than twenty years after it was first used for woollens in 1839.)<sup>2</sup> But apart from the 450,000 men, women and children who about 1834 worked in or for the cotton mills (hand-workers weaving fine muslins kept their occupation till the 'fifties), a substantial part of the people worked at textiles outside factory walls. A large section found employment in farming—more, in 1831, than were engaged in any other pursuit: 961,100 families, or 28 per cent

<sup>1</sup> For the export figures *vide* G. R. Porter's *Progress of the nation in its various social and economical relations from the beginning of the nineteenth century*, pp. 356, *et seq.*, London Murray, 1851.

<sup>2</sup> Facts from *An Economic History of Modern Britain*, by J. H. Clapham, vol. i, pp. 554 *et seq.*, and *Health, Wealth and Population in the Early Days of the Industrial Revolution*, by M. C. Buer, p. 57, London, Routledge, 1926.

of British families, as compared with fewer than 400,000 men in the building trades (the largest non-agricultural group of male workers), and about 670,000 female domestic servants. Certainly a rapid urbanization and industrialization of the population was taking place, but the farming group was still maintaining its numbers in 1851 (although its growth in 1831-51 was not in proportion to the growth of population). M'Culloch estimated the value of the net produce of British agriculture at £143m. in 1837, out of a national income which he estimated at £297m.<sup>3</sup> His estimates may be wrong, and agriculture may not have yielded so much as 48 per cent of national income; but Giffen puts as high as 39 per cent the proportion of national income in 1835-40 contributed by agriculture.

This national income was divided, as between nine-tenths of the recipients on the one hand and one-tenth on the other, much as it was nearly a century later—i.e., about half of the total national income went to each group—and the decade of the 'thirties was not a period over which the wage earner's share of the national income was increased. The cost of living went up, and so did the volume of unemployment, but not wages.

Looking beyond Britain itself, we find that what was left of the old empire made a contribution, but relatively to non-British Europe, America and Asia not a remarkably large contribution, to British economy by providing raw materials and markets. The new empire in Australasia, not much developed by British private capital investment which was only beginning, was insignificant to the purposes of British economy, though that situation was to change within a very few years. Meanwhile the phenomenon of British industrialization and not, as yet, the enticements of colonization filled the social foreground. Capital was being poured into companies, banking and railways in particular, at a rate of scores of millions sterling a year. Legislation of 1816, 1819 and 1826 had revised British currency arrangements to some extent, as if in preparation for the investment boom of the late 'thirties, and since 1821 Britain, alone in the world, had based its currency on a gold standard. But the joint-stock banking company, which was to be an important financier of general industrialization, was as yet a most imperfect instrument. The joint-stock bank was not

<sup>3</sup> For the census matter *vide* Clapham, *op. cit.*, i, pp 66, 113 *et seq.*, 450 *et seq.* For M'Culloch's estimate *vide* his article 'England,' in his *Dictionary*, etc., ii, pp 265 *et seq.* (new revised ed. by Frederick Martin, London, Longmans, 1866—the first ed. was published in 1841), and for Colin Clark's criticism that 'M'Culloch's estimate of agricultural production is possibly too high, but there is no doubt that his estimate of national income is far too low,' *vide* his *National Income and Outlay*, p 227, London, Macmillan, 1937. Giffen estimates the national income of Great Britain in 1835-40 at £432m (*cf.* M'Culloch, £297m), including agriculture, £125m (*cf.* M'Culloch, £143m.) Clark's criticism of M'Culloch is drawn from facts in Charles Booth's article, 'Occupations of the People of the United Kingdom, 1801-80,' in *Journal of the Statistical Society*, 1886, vol. xlix, pp 314 *et seq.*

a legal entity in England until 1826 (in London until 1833) and its development almost simultaneously with the industrial boom which it had to sustain, augured dislocations and losses such as are apt to attend inexperience which moves fast.

There had been 554 private banks registered in England in 1826, but in that year joint-stock banks, which for long had been operative in Scotland, were permitted in England, and from this time two phenomena were characteristic of an altered English banking system. The one was a diminution of the number of banks (there were 407 in 1836, 321 in 1841); the other, an increase of the number of joint-stock banks (there were nineteen banks having many 'partners,' in 1836, 115 in 1841). According to the 1837 prospectus of the Royal Bank of Westminster a hundred private banks in England and Wales were merged into joint-stock undertakings in 1826-36.<sup>4</sup> Not until 1855 was limited liability a matter of general right as far as joint-stock companies were concerned, and the liability of bank shareholders was in all cases unlimited until 1858.<sup>5</sup> The period of the present enquiry opens on the eve of an investment boom in joint-stock bank shares (1836-7). From 1826 to 1833 inclusive forty joint-stock banks had been established in England and three in Ireland, then the Bank of England lost its monopoly of joint-stock banknotes in circulation from £2.8m. in December 1835, to were established in England (forty-two of them in 1836) and ten in Ireland (eight of them in 1836).<sup>6</sup> Most of the new banks were banks of issue, and the augmentation of the currency which their activities brought about is indicated by the increase of joint-stock banknotes in circulation from £2.8m. in December 1835, to £4.3m. next December, an increase of more than 50 per cent in the year. (Private banknotes in circulation usually amounted to about £8.5m.)

The investment boom in bank shareholdings accompanied a boom in railways; and sharp business crises were reached in 1836-7 and 1839, after certain overseas movements had accentuated the unsoundness of much of this speculation. In 1826, when the development of joint-stock banking companies began in England, eighteen

<sup>4</sup> *vide Journal of Political Economy*, Jan, Feb-Dec 1935, for two articles by Bishop C. Hunt on the development of joint-stock companies in England, 1800-25 and 1830-44. His figures of bank development are given in the text *supra*. They differ somewhat from those given in the *Annual Register*, 1837 (*History of Europe*, p. 172).

<sup>5</sup> There were colonial exceptions to this rule. Macquarie, when he was Governor of New South Wales, excepted the Bank of New South Wales from the banking law, giving it limited liability under a charter on its foundation in 1817. By Act of Council (N.S.W.) 9 Geo. IV, No. 3, 1828, the Bank shareholders lost their limited liability, however, the president's right to sue or be sued in the name of the bank, a joint-stock convenience, was confirmed then by law. Later the Bank of Australasia, which received a charter in 1834 and commenced business in Sydney and Launceston late next year, operated with limited liability. By its charter shareholders were not liable beyond twice the value of their shares.

<sup>6</sup> *Ann. Reg.*, 1837, figs (*Hist. of Eur.*, p. 172).

railway enterprises had been authorized by parliament; after that, the average number of railway flotations was five a year until 1836, when there were twenty-nine, followed in 1837 by fifteen more. In the three years 1834-6, when seventy-two new joint-stock banks were registered in England and Ireland, eighty-eight railway companies were formed, representing an investment of about £70m. At the same time the joint-stock principle of business organization was adopted in many miscellaneous industries, especially mining and shipping. But in textiles, including cottons, and other industries which were 'most representative of the industrial revolution,' private partnership remained the characteristic form, as it was to do until the twentieth century. And cottons was the dominant English manufacture. However, the share market had a very wide field of industry in which to interest investors. For instance, the railway development was rapid enough—437 miles of line were under construction in 1837, by which year 375 miles had been laid—to promote a companies' boom in iron production and the machinery industry. Pig iron production, which had been trebled to a million tons between 1818 and 1835, was again doubled by 1844.<sup>7</sup> By 1843 more than 2,000 miles of railway line had been laid and the paid up capital of English railways was £200m. The day of heavy industry had dawned.

This sudden development of the 'thirties, in itself a true industrial revolution, put strains on the credit and banking structure which that structure could not bear, not yet transformed as it was from the modest means which had served an older England. The Bank of England, base of the system, was not yet the secured possessor of a technique for controlling booms by the regulation of credit. It was however given some central bank functions by Althorp's Bank Charter Act of 1833. This act<sup>8</sup> strengthened the Bank's powers of credit control by freeing its discount rate from the operation of the usury law (which until 1854 limited the maximum rate of interest legally chargeable to 5 per cent, except in the case of three-months' bills). It made Bank of England notes for more than £5 legal tender, except at the Bank, and authorized joint-stock banking companies to operate within the 65-mile radius of London which the 1826 act had declared the Bank of England's preserve of joint-stock banking—but London joint-stock banks must not issue their own notes—and required a weekly return to the Treasury of the

<sup>7</sup> For the boom in railway and other shares *vide* Hunt, *loc cit* pp 348 *et seq.*, *Histoire du peuple anglais au XIX<sup>e</sup> siècle*, by Elie Halévy, vol iii, pp 256 *et seq.*, Paris, Hachette 1923, pig iron figures from *Commerce and Industry*, by W Page, vol ii, pp 180, 181, London, Constable, 1919

<sup>8</sup> For details of the financial history of the 'thirties, *vide* *The Pound Sterling A History of English Money*, by A E Feavearyear, pp 230 *et seq.*, Oxford, 1931 For United States banking of the time *vide* *Financial History of the United States*, by D R Dewey, pp 150 *et seq.*, New York, Longmans, 1915 (5th ed)

Bank's holdings of bullion, securities, etc. Another act of the same year had required all note-issuing banks to furnish quarterly returns of their notes in circulation.

But from late 1833 there was a large drain of gold from the Bank of England as American banks sold securities in order to augment their reserves (a sequel to Andrew Jackson's banking reorganization after his re-election to the Presidency in 1832). The new joint-stock banks ignored the portents, and while from December 1833 to June 1836 private banks' notes in circulation fell slightly (from £8.8m. to £8.6m.) joint-stock issues rose (from £1.3m. to £3.6m.). Crisis came when, in November 1836, the largest Irish bank, the Agricultural and Commercial, suspended payment. A few days later the Northern Central Bank at Manchester (a joint-stock enterprise founded in 1834) sought help from the Bank of England. In February the Bank of England assisted three American banks.

So the unaccustomed activity in finance and industry, where quiet had ruled for years after the overseas investments crisis of 1825, was set back when credit was contracted abruptly late in 1836.

Then, in 1839 Anglo-American financial and business complications induced crisis. In that year the United States Bank made considerable advances to cotton planters in the southern states, as a means of enabling them to hold out for higher prices on the chief (Lancashire) markets. The Lancashire millowners who bought about four-fifths of their raw cotton from American planters, retaliated by slowing down production, and this dislocation of England's principal export industry brought on commercial crisis. During the previous year the Bank of England, lowering its discount rates by stages from 5 per cent to 3 per cent, had made large advances to American enterprises. Then a sudden reversal of credit policy by the increase of the rate to 5½ per cent on 5 May 1839 excited panic, and the Bank itself might have had to suspend gold payments, as in 1797, but for the aid given by the Bank of France, a loan of two millions gold. Evidently, then, the joint-stock banks were not alone in injudicious management. Some of them indeed—the London banks—did very well without making a note issue; the London and Westminster (founded in 1833), the London Joint Stock (1836), the Union, London and Country (1839), and afterwards (1840) the Commercial Bank issued no notes, and 'their prosperity heralded a new era of banking history, to open when crisis had passed.'<sup>9</sup> Contemporaneously with the banking expansion in England in the 'thirties, several banks were floated

9. Halévy, *op. cit.*, iii, p. 268. *vide* Feavearyear, *op. cit.*, pp. 237-9, for an allocation among the banks of responsibility for the 1839 crisis.

in Australia to finance a land boom accompanying the pastoral extension in New South Wales and at Port Phillip. The English crisis of 1839, leading to a contraction of credit by the colonial banks, most of which were capitalized by English investors, was one of the factors in bringing about crisis in Australia early in 1841.

While expanding English economy was being subjected to such disturbances, the bugbear of dear bread reappeared in the British Isles: the price of wheat rose from an average of 39s. 4d. a quarter in 1835 to 70s. 8d. in 1839. The sequence of poor harvests was not far advanced, nor the first sharp crisis over, before the Radicals Grote, Molesworth, Hume and Roebuck formed in London (late 1836) the first Anti-Corn Law Association. When, in the following March, William Clay moved in the House of Commons for the establishment of a low fixed import duty on wheat of 10s. a quarter, only eighty-nine members supported him, but ten of them held office in Lord Melbourne's Ministry.<sup>10</sup> At the 1837 election free traders were elected for Manchester and other industrial divisions, and as corn prices rose through 1836-9, the free trade and Chartist movements both gained ground. Trade dislocations and harvest failures, with consequent unemployment, had revived a spirit of restlessness and resentment which had been little in evidence in the years of low prices up to 1835—years during which no attempt had been made to enforce the New Poor Law of 1834 in the industrial areas.

## ii. *Condition of the Working Classes*

Struggle against the Corn Law, which kept bread prices high in lean years, was the chief social movement of 'the middling classes of society' in the closing years of the 'thirties; for dear bread hindered the expansion of industry by increasing the costs of manufacturing production. The chief political concern of these classes was the maintenance of the 'reformed' parliament without 'democratic' experiment; for this institution had already done, and could do again, the work of legislating according to their philosophy and in their interests. But the industrial working classes steered on another tack, the cold wind of the Poor Law was their preoccupation. It refused them relief and would drive them overseas, now that bread was dear. As for the reformed parliament they had lost faith in it, and were coming to look to the National Charter Convention as a political instrument which might oust the Commons.

Much of the explanation of these abrupt divergences of class

<sup>10</sup> *vide Parliamentary Debates*, 3rd series, xxvii, pp 562 *et seq* For some account of the corn laws, and references to sources of information, *vide British Imperialism and Australia, 1783-1833*, by Brian Fitzpatrick, Chapter 4 (a), London, George Allen & Unwin, 1939

policy lies in the nature of the 1834 poor law, which gave three commissioners power to group parishes, the administrative units of the superseded Elizabethan poor law, into 'unions.' These unions were to control centralized workhouses administered by boards of guardians of whose membership about four-fifths was elected by persons who paid poor rates. The object of the act was to eliminate outdoor relief of the able-bodied, and to give relief only in the 'unions' and only to the old and infirm; this was to be accomplished by means of national organization by the commissioners through the unions, where formerly each parish administered poor relief according to its funds and the temper of its local magnates.<sup>11</sup> The act was unquestionably the most important of all measures of social legislation enacted in the first half of the nineteenth century. In economic history the Reform Act of 1832 has significance because it was the forerunner of the poor law, and the 1846 act which eventually repealed the corn laws was the next step of the policy which by the poor law took one step forward. The connection rests in the facts that the Reform Act gave the industrial middle class the opportunity to place the new poor law on the statute book, that the Poor Law Amendment Act regimented a supply of cheap labour for manufacturing industry, and that the Corn Laws Repeal Act legislated for a supply of cheap bread for that cheap labour. And it was in these circumstances, of national attention to labour supply and to industrial costs, that British commerce and industry were fitted for their imminent expansion. The three acts in conjunction make up much of the achievement of *laissez faire* in politics during the British imperial epoch which was slowly dawning.

Now the 1834-46 policy system owed nothing directly to the masses of English people who had forced the political reform of 1832, which introduced the middle classes to the legislative power they used to change basic social and economic policies in 1834 and 1846. It was by other means that the masses sought to reorganize English life. But where the manufacturing interest succeeded, the labour interest failed, none of its means, whether 'short time committees,' 'political unions,' trade unionism, or Chartism, mitigated one jot the 'condition of England' in the decade of their maximum influence on the people, 1836-45. This contrast, between the stratagems of desperation and the manoeuvres of conscious power, between working class and middle class action, is the principal feature of English social history of the period. Typical action by

<sup>11</sup> For an account of the early operation of the poor law *vide* Fitzpatrick, *op cit*, Chapter 8 (c), and Chapter 1 (d) for older systems of poor relief in England. For details *vide* *A History of the English Poor Law*, i, II, by Sir George Nicholls (London, Murray, 1854), III, by T. Mackay (London, King, 1899), and *Economic and Statistical Studies, 1840-1890*, by J. T. Danson (including a paper read to the Statistical Society on 21 February 1848), London, Fisher, Unwin, 1906 ed.

the working class achieved nothing directly for the working class, but it did help one section of the better off classes to achieve its particular ends at the expense of another. Mass unrest, demonstration and violence frightened the landed aristocracy into conceding the franchise and free trade to the rising capitalists of industry and commerce. If for that reason alone, then, a survey of aspects of nineteenth century British imperialism is incomplete if it does not consider working class movements which, futile as far as their special objects were concerned, did generate power for the industrialists to use against the old systems of a mercantilist England.

These class movements did not lack clear minded interpreters even as they went on. For example, as early as 1837, after no more than four years' operation of the new poor law, a commentator wrote perspicaciously,

The great achievement of the Whigs since their accession to the government is the passing of the Act for the amendment of the English poor law. This is their true Reform Bill and if the measure more distinctively so called possesses any real value, it is chiefly as having paved the way for the passing of the other. It may be questioned whether any party, but that which has habitually assumed to itself the advocacy and vindication of popular rights, could safely have brought forward a measure so open to misrepresentation in its apparent interference with them.<sup>12</sup>

Again, in 1839, T. S. Duncombe, a Liberal member of parliament, who later worked for the release of John Frost the Chartist magistrate from servitude in Van Diemen's Land, said in the Commons of the poor law and the corn law, 'They are wholly incompatible with each other and cannot be allowed to exist together,' and of the revolutionary Chartist movement, 'It is a combination of a peculiar character, in which a severance between the working and middling classes is proposed, in which the rights of property are denounced.'<sup>13</sup> Eighty years later G. D. H. Cole wrote to similar effect,

The (Anti Corn Law) League was embryonic Liberalism, based on the collaboration of classes to get the best out of capitalism; the Chartist movement was embryonic Socialism, based on the class struggle, and hostile above all, to the newly dominant middle class industrialists.<sup>14</sup>

The anticipations of the middle class were based, we are told,<sup>15</sup>

on a simple faith that if the market for labour were uncorrupted by charity, public or private, the labourer would be found worthy of a hire ample to maintain a citizen and his family.

<sup>12</sup> *Ann. Reg.* 1839 (*H. of E.* pp. 14 *et seq.*)

<sup>13</sup> *ibid.*

<sup>14</sup> *A Short History of the British Working Class Movement* by G. D. H. Cole, 1

p. 158. London: George Allen & Unwin, 1925.

<sup>15</sup> *A Hundred Years of English Government* by K. B. Smellie, pp. 103-129. London, Duckworth, 1937.

But the reaction of the labouring or unemployed poor was to the hard facts of the moment, and not to any anticipation of a class-collaborative Utopia. So Joseph Rayner Stephens, the Methodist parson-agitator, expressed a popular opinion when he said,<sup>16</sup>

If it be right to confiscate the property of the people by abrogating the 43rd of Elizabeth [the old poor law], it is right for the poor to take a dagger in one hand and a torch in the other, and do the best for themselves.

This was not merely wild talk, it expressed the spirit in which the working classes were being organized, now that, in Halévy's words, 'the situation of 1816 and 1819 was here again.'<sup>17</sup> So, late in the 'thirties, Chartism was born of economic depression and the masses' disillusionment and despair.

But although the working class experience of Whig politics was at no time encouraging, it was not immediately that the poor made an issue of the 1834 act. Little adverse notice was taken of the thorough execution by the Poor Law Commissioners of their task in the years of plenty, 1834 to mid-1836, when bread was cheap and no attempt was made to apply the system of relief restriction to the industrial areas. Employers, too, forgot about the corn laws while bountiful seasons made those laws inoperative. In this period of quiet the Commissioners reorganized poor relief in a great proportion of the 14,500 parishes of England and Wales, which numbered approximately one to each thousand of the population. In 1834, 2,000 parishes were grouped in 112 unions, in 1835, 6,000 in 239 unions, and by July 1837 practically every one of the thousand parishes of Wales, and 90 per cent of the English parishes, were reorganized. Twenty thousand guardians in 500 unions now decided who should be relieved among twelve millions of people. But although this was no small work for three years' effort, the 90 per cent of the parishes which had in that time been brought under the scheme included only 80 per cent of the population. The 1,300 untouched English parishes contained a population of two and a half millions, the average of their populations being nearly double the general parish average. The Commissioners had left to the last their most onerous task, the disciplining of the parishes of the industrial Midlands and North.<sup>18</sup>

Even so, the Commissioners had by 1839 performed two signal

16 *cit Ann Reg*, 1838 (*H of E*, p 197) Richard Oastler and Feargus O'Connor were reported as using similar language

17 *op cit.*, III, p 268.

18 Facts from *Ann Reg*, 1837 (*H of E*, p 129), *ib*, 1838, p. 201, Mackay, *op. cit.*, pp 274, 280. The Poor Law Commissioners were in operation from 1834 until 1847. They published annual reports which are not analysed here as the ground has been thoroughly worked over since in 1854 the chairman of the commission himself reviewed its work in two volumes (Nicholls, *op. cit.*). Danson, Mackay, Halévy (III) and Clapham (I) give useful analyses or descriptions.

services: they had reduced by 40 per cent the burden of poor relief on the rate-paying classes, and they had done much to clear the farming areas of now unwanted labour, by promoting a transfer of manpower north and to the colonies. In 1839 the cost of poor relief was down to 6s. 2d. a head of population, as compared with 10s. a head in 1832 (before the act); this comparison fairly represents the position in the five years after the act with the five years before it. By the end of 1839 six-sevenths of the people were under the instrumentalities of the act. 13,691 parishes, out of a total of 14,490, in 583 unions. But the depth of economic depression was then being plumbed, and the number of persons receiving relief was probably well above one million, according to Danson's figures<sup>19</sup> the number of paupers did not fall below a million until 1851, when the English economy felt the reviving effect of the Californian gold discoveries, and when gold was discovered in New South Wales and Victoria. And nine-tenths of these were still, contrary to the intention of the act, on outdoor relief. Although the Commissioners had reduced the burden of pauperism on the propertyed they had not reduced pauperism. Probably one and a half million people—nearly a tenth of the population—were on relief in 1843, the year in our period of maximum suffering, a year, too, in which economic depression in the Australian colonies had closed for the time an avenue of large emigration which had just been opened. But the 1832 poor relief expenditure was not reached even in 1843, when 6s. 4d. (or, at 1832 prices, 9s.) a head of population was spent. It would seem that after ten years of the new poor law many more paupers were receiving much less relief.<sup>20</sup> And considerable numbers of others had been drafted to Lancashire factories or to Australasia.<sup>21</sup>

<sup>19</sup> *op cit.* p. 74. An official statement of the number of persons on indoor and outdoor relief in England and Wales was not made until 1849 but Danson's figures of the total number of paupers, from 1839, are stated by him to have been computed from official figures.

<sup>20</sup> The factors in an accurate comparison of the scale of relief in (say) 1832 and 1843 are (1) the average population of England and Wales during each year, (2) the average number of pauper, (3) the amount spent on relief, (4) the relative value of money (to assess the purchasing power or equivalent which the average pauper was given). In this instance we have each factor except (2)—there is no available statement of the number of paupers in 1832. But there is no lack of general evidence—upon the state of trade, etc., to show that the pauper proportion would not have lessened in 1843 as compared with 1832. Hence it is legitimate deduction, supported in general by the many contemporary complaints of a reduced diet scale for indoor paupers, that the Commissioners had reduced the scale for all paupers.

<sup>21</sup> *cf.* Halevy, *op cit.* iii, p. 271, on the activities of the Commissioners as labour brokers. Pointing out that the 1834 act empowered the Commissioners to transfer unemployed persons from glutted areas to areas where labour was needed, he writes, 'They used this power, sending unemployed farm labourers—in small numbers—to Australia and New Zealand, and sending a much greater number to the Lancashire factories, where they got work at wages double or triple what they had received on their Sussex or Devonshire farms' *cf.* also Mackay *op cit.* who gives an example of the process at the clearing end (*vide* p. 280, giving a table from the Commissioners' fifth report). Eight farming counties had had an aggregate of 300,000 paupers of whom one-third were able bodied, before the 1834 amendment. When the Commissioners had done, the number on relief was 170,000, including able bodied, one-fifth. That is, well over 100,000 had been placed elsewhere.

But the tough, small nut of the North was harder to crack than the wide surfaces of the South. The Commissioners attempted their task in the northern industrial districts in the bad times from 1836. The two millions of workpeople in the populous industrial parishes successfully obstructed them. With Fielden and Stephens organizing the working class in Lancashire, and Richard Oastler doing the like in Yorkshire, Anti-Poor Law Associations drove off Sir George Nicholls's workhouse builders. In the Commons, Tory opportunists harried Melbourne's government. *The Times* itself took up the cry against the poor law and its 'three pashas of Somerset House.' The ruling Whigs turned to the police, the soldiery and the courts. In 1839 the balance of parties was as even as in 1835, but most members were agreed that working class demonstrations must be repressed. But while they anticipated beneficial results from the poor law, 'it was difficult,' the *Annual Register* noted, 'to persuade the poor themselves of this.' The poor preferred their own means: Chartism and trade unions.

Robert Owen's career is a rough index to the shifting resorts of the suffering classes during the long post-war stagnation—he stood, by turns, for capitalist benevolence, 'co-operation,' the organization of workers in *trades* unions which should cover many trades where the trade union covered but one, then for 'socialism.'<sup>22</sup>

This last was to the Whigs a useful set-off against the 'revolutionary jacobinism' of the Chartists, and in 1839 Lord Melbourne presented Owen to the 19-year-old Queen Victoria. England seemed to tremble on the brink of social revolution for years after 1838, when the Chartist movement became of consequence, but no concession was made to the workers. Real wages scarcely moved though unemployment mounted, parliament held its hand alike from electoral reform, effective factory regulation, and amplification of the Poor Law Commissioners' diet scale<sup>23</sup> for the 'unions.' What

<sup>22</sup> For Robert Owen, *vide* Fitzpatrick, *op cit*, Chapters 1-8, etc. Halévy, III, p. 110. Cole, I, p. 129, for trade and trades unionism. S. and B. Webb (*The History of Trade Unionism*, London, Longmans, 1920 ed.), pp. 129 *et seq.*, Cole pp. 105 *et seq.*, for the 'socialists' of 1820-30. Smellie, *op cit*, p. 16, *The Chartist Movement*, by Mark Hovell, Chapters 1-3 (Manchester University Press and Longmans 1925), for Chartism. Hovell *passim*, Halévy, II, pp. 276 *et seq.*, *A History of British Socialism* by M. Beer, pp. 280 *et seq.* (London, Bell, 1919), *Life and Struggles of William Lovett*, pp. 449 *et seq.*, for the text of the People's Charter.

*Ann. Reg.*, 1838 (*H. of E.*, pp. 204 *et seq.*), conveys a vivid idea of the contemporary attitude towards trade unions and trade union methods.

<sup>23</sup> Boards of guardians frequently complained of the inadequacy of the diet scale which the Commissioners required them to use, but parliament was not much affected by such representations. When in February 1837, Fielden, Tory member for Oldham, moved for the repeal of the poor law only 17 voted with him, 309 against, and when parliament had discussed the diet given in two 'unions', compared with the St. George's Hospital scale (each patient there received a pint of beer daily) Lord Radnor said that Parry's crew at the Pole got less than the paupers at Dudley Union, whose guardians had complained (*vide Ann. Reg.*, 1838 (*H. of E.*, pp. 198-9)). The Parry mentioned, Sir Edward, who made exploratory journeys in the Arctic, was the first manager in New South Wales of the Australian Agricultural Company. *cf.* Halévy, III, p. 269, for guardians' complaints of the dietary.

happened, in response to the protest of the working classes, was the steady transfer of their leaders to gaols and convict transports; Australia harvested in the late 'thirties a richer crop of 'political' exiles than had appeared during the whole of the forty-odd years since the 'Scottish martyrs' were transported in 1794. The leaders who succeeded Robert Owen were legion—John Doherty, the cotton spinners' organizer, William Lovett, the author of the People's Charter, John Collins, who led the workers' section of the Birmingham Political Union, Thomas Attwood and Dr. John Taylor, of the same body, Oastler, Stephens, even George Loveless, the Dorchester labourer, returned from Van Diemen's Land, and John Frost, who was to take his turn there. Marx and Engels borrowed from some of them the notions of a class war, and of social revolution by the seizure of political power. The middle class Anti-Corn Law League paraded them as a bogey at Westminster. But the movements which they directed came to nothing in their time.

The founders of Chartism, the most formidable machinery of working class ideas which appeared in England in the nineteenth century, were William Lovett and Thomas Attwood. Lovett's London Workingmen's Association and the Political Union of Birmingham, which Attwood revived in 1837, were the nucleus of the National Charter Convention, which gained ground with working people as cases like that of the new 'Scottish martyrs,' five Glasgow cotton spinners who were sentenced to seven years' transportation in 1838, showed which way the social wind was blowing. The organization of protest was little assisted from the House of Commons, though Francis Place corrected and J. A. Roebuck endorsed the People's Charter of Lovett. This was published on 8 May 1838, three months after Brougham, in the Lords, and Wakley, in the Commons, had denounced the inequity and injustice of the Glasgow sentences. The Charter's Six Points demanded manhood suffrage (where a London Workingmen's Association petition of 1837 had demanded universal suffrage), annual parliaments, payment of members, equal electoral districts, vote by ballot, and abolition of the property qualification for members of parliament (all points from the 1837 petition).<sup>24</sup> The House of Commons that assembled after the 1837 election was not radical, and Tennyson D'Eyncourt's motion for the repeal of the Septennial Act, Joseph Hume's for household suffrage, Roebuck's for the institution of a national education system, were all negatived.

But bread was growing still dearer. In Scotland and the North, in South Wales and the Midlands, wherever depression had laid men by, Thomas Attwood was gaining thousands of adherents to the

24. For some account of the London W.M.A., *vide* Fitzpatrick, *op. cit.*, Chapter 8 (b).

**Charter.** The farm labourers, who had been quelled by Melbourne in 1830, were powerless until Joseph Arch founded his union forty years later, but the industrial workers' Peterloo of 1819 was a far off memory, and millhands listened when Attwood advocated the general strike, or Stephens denounced the poor law, or Feargus O'Connor sought recruits for his left wing of Chartism, the 'physical force men.' In December 1838 Lord John Russell had Stephens arrested. Next month Roebuck and Place resigned from a National Charter Convention which seemed sceptical of the possibilities of constitutional change. By the end of 1839 hardly a Chartist leader but faced criminal charges.

A new period of 'impaired liberty' opened in 1838-9, when the Poor Law Commissioners' powers were renewed on the expiry of the 1834 act, and Lord John Russell established police forces in the counties, and when meeting for drilling was prohibited and the arming of special constables authorized. On 6 May 1839, three days after the order restricting the right of meeting, a red-rosetted delegation of the National Charter Convention carried to Attwood's house the National Charter Petition, bearing 1,200,000 signatures. The Convention had changed its venue from London to its stronghold of Birmingham, and there, early in July, serious affrays occurred between workers on the one hand and troops and police on the other. Already there had been riots and commotions at Devizes in the south, Llanidloes in the west, the Potteries in the Midlands, Bolton in Lancashire, Sheffield in Yorkshire, and at Newcastle-upon-Tyne in the far north. On 14 June Attwood had presented the National Petition to the Commons, by 237 votes to 48 they refused to consider it. Russell replied to the Convention by entraining sixty men of the London Metropolitan Police Force for Birmingham. They broke up a Chartist meeting at the Bull Ring and seized banners; the crowd won them back and cavalry of the 4th Dragoons cleared the streets; Taylor, Lovett and Collins were arrested. The 'sacred month,' a July-August symbolization by a general strike throughout England of the national demand for the Charter, proved to be a month of repression. The fifty delegates to the Convention, including more than a dozen professional men and magistrates, went home or to gaol. On 4 November troops fired on Chartist 'invaders' of Newport in Monmouthshire, and after trial by Special Commission three men were sentenced to death for high treason by levying war against the Queen. Collins and Lovett, and nineteen Chartists tried at York, were sentenced to terms of imprisonment. Collins had published after the 4 July affair at the Bull Ring the seditious libel, *inter alia*, 'The people of Birmingham are the best judges of their own right to meet

in the Bull Ring' Peel pointed out caustically in the Commons that Lord John himself had incited this kind of seditious talk by saying publicly, a few months before, 'I think the people have a right to free discussion which elicits truth. They have a right to meet' Peel commented, 'The unseasonable expression of truth in times of public excitement is often dangerous'<sup>25</sup>

But a force was gathering weight to move the parliament that Chartists could not move. While they were demanding and demonstrating, members of an Anti Corn Law League, which had been formed in Manchester late in 1838, had been arguing that it was the fiscal policy of Britain, and not the poor law, or constitutional privilege, or strike breaking, that oppressed the English poor. Richard Cobden argued that while the corn laws protected the English farmer directly, by prohibiting the importation of foreign breadstuffs until wheat in England had reached the very high price of 80s a quarter, indirectly they protected the foreign manufacturer, by placing on English industry a burden of extra cost which made competition with the foreigner harder and restricted markets. Sweep away the protective legislation and there would come a trade revival, work and bread. When the parliamentary session of 1839 opened, the chairman of the Manchester Chamber of Commerce had warned the Commons that English manufacturers would have to cut wages if they were to market their production which had increased so during the last five years, surely it would be preferable to repeal the corn laws, as a means of reducing industrial costs.<sup>26</sup>

Peel's Conservative ministry, which succeeded Melbourne's Whig ministry after the general election of 1841, at length made the desired policy change.

Free trade in corn required the political suicide of Sir Robert Peel, and his success was probably due to the fact that the class which wanted cheap bread was politically stronger than the class which wanted dear bread.<sup>27</sup>

Years before that so constructive suicide, other British policies—imperial and foreign policies—were already being directed towards a

<sup>25</sup> For Russell's and Peel's speeches *vide Ann Reg* 1839 (*H of E* p 20) for the 1839 riots *ibid* (*H of E* pp 303 *et seq* and *Chronicle* pp 221 *et seq*) for the trials of John Frost, Zephaniah Williams and William Jones (Newport rising) *ibid* 1840 (*Chronicle* pp 203 *et seq*) and for some account of their doings in Van Diemen's Land *A History of Tasmania* by James Fenton p 154. Hobart, Walch 1884 and *Article Dictionary of National Biography* John Frost (d 1877) for trials of Henry Vincent, John Collins, William Lovett, J. R. Stephens etc. for unlawful assembly, seditious words, riot, seditious libel etc. *Reports of State Trials* new series iii 1831-1840 pp 1037-1149, 1177, 1189, 1353 *et seq*. H.M. Stationery Office 1891.

<sup>26</sup> *Ann Reg* 1839 (*H of E* pp 14 *et seq*) *cf* Halevy *op cit* iii pp 287 *et seq* for a condensed account of the revival of the campaign against the corn laws and for a complete historical account *A History of the English Corn Laws 1660-1846* by D. G. Barnes. London: Routledge 1930.

<sup>27</sup> Smellie *op cit* p 19.

*sine qua non* of industrial and commercial expansion, the securing of markets and of cheap raw materials. These policies, although often clumsily or belatedly practised, were in principle on all fours with the policies of poor law enforcement and corn law repeal.

### iii. *Foreign and Imperial Policies*

A brief survey of Whig foreign policy is necessary here as an introduction to a contemporary imperial policy which was dictated in the last resort by the same consideration. That is, the fact that English trade had made no substantial advance in the years after 1815 in spite of the greatly increased productive power of which English capital, as applied to manufactures, was now capable. Palmerston, when he became Foreign Secretary late in 1830, had to apply Canning's principles to a European system which had been shaken by the French Revolution of July. 'Paris is the pivot of my foreign policy,' Palmerston told his brother a little later.<sup>28</sup> Halévy, who quotes the remark, explains it

France, now a Liberal Power, was in principle England's ally. She could not be treated like Portugal or the South American republics, as a mere English customer, indeed it seemed that she might be strong enough to contend with England for the rôle of patron of small nations. The problem, then, was to keep France in second place in an Anglo-French alliance which was a necessity of the hour.

By 1834 Palmerston and Casimir Périer had engineered a quadruple alliance (of Britain, France, Spain and Portugal) as a set-off to the fresh alliance of Russia, Prussia and Austria which Metternich had just completed. But the Anglo-French arrangement did not abate the enterprises of the Holy Alliance powers, which had repressed constitutional movements in Spain and the Italian states in the 'twenties. During the greater part of the 'thirties the conservative policies of the despotic powers, against the multi-state Europe which it was the British interest to foster, seemed to defeat Anglo-French policy at international conference after conference. The Radical *Westminster Review* gave, in 1832, a very accurate representation of the trend then.

To [the Congress of London] the international law of Europe is indebted for a new principle, that of non-intervention, a principle which keeps oppressed subjects apart because the Holy Alliance is no longer strong enough to keep the oppressors together. . . . What would be the consequence in common life, if the principle of non-interference was acknowledged and acted on—if there might be a Holy Alliance of thieves, but only a Non-Interference Society of honest men?

<sup>28</sup> Viscount Palmerston to William Temple, 29 June 1834, *cit.* Halévy, *op. cit.*, iii, p. 67.

Earlier, the *Review* showed a nice appreciation of the necessary identity of foreign with home policy and the contingency of improvement at home upon improvement abroad.

Is there any who would advance, that the three robber Powers of the Continent are to cover and secure their robberies by a compact against freedom everywhere, and that free men throughout Europe are not bound by individual honour and general interest to start up like the dead at the last trumpet, and demand the execution of justice and the restoration of nations? . . . The beggar in the street—the man who is to be hanged for rick burning—is son and heir to the spoliation of Poland, and would not have been where he is, but for the principles which enabled a British Minister to join twice in that act of baseness. And exactly as that is undone, will our recovery move hand in hand. If the Russians are driven over the Niemen, we shall have the Ballot, if they cross the Dnieper, we shall be rid of the corn laws. . . .<sup>29</sup>

A vigorous journalism could, of course, express such views much faster than Palmerston or any other minister could realize them. Still, the policy which they connoted was the policy to which England came, contrary to some accounts,<sup>30</sup> it was never proposed that Britain should rest inactive in a doctrine of *laissez faire* while avenues were closed and the future decided. At the same time, Palmerston<sup>31</sup> was not a very intelligent interpreter of events, nor were Goderich and Glenelg, at the Colonial Office. He administered British foreign policy for every Whig ministry from Grey's in 1830-4 to Russell's in 1846, and with him that foreign policy limped as an auxiliary of domestic reconstruction. Imperial policy, with Goderich or Glenelg or Russell, limped alongside. Canning and Huskisson had been defter managers. Nevertheless, Palmerston's foreign policy administration was designed, as Canning's had been, to promote British mercantile expansion. His acts are generally intelligible, when they are referred to that motive. When Spanish affairs, which had been in turmoil since the European wars, resolved themselves into the clash of claimants to the throne, Anglo-French weight was thrown on the side of Queen Christina and liberal politics, while the Holy Alliance aided Carlos and his absolutist

29 This citation is from the *Westminster Review* January 1831 and the preceding one from *ibid.*, October 1832 vols xiv pp 249-50 xvi p 430

30 cf. the contrary opinion of Professor Stephen Leacock given in one of his less humorous works (*Economic Prosperity in the British Empire*, p 84 London Constable, 1930). There was no understanding of what to do. England had men to throw away paupers to deplore money to invest and new apparatus of steam and machinery to give it power. But the dominant notion of the time was to leave it all alone to follow the line of least resistance. 'England followed it' Leacock says that 'the fatal idea that everything developed itself if let alone, paralyzed action'. He writes in a context of imperial policy—where there is some evidence to support him—but the misunderstanding is of wider scope. In fact the *laissez faire* idea insofar as it affected basic English policies was that 'everything should be let alone to develop itself—after hindrances to its development had been removed. The Whig task whether in domestic, foreign or imperial administration was to remove hindrances. Palmerston found that this required a good deal of action.

31 J. A. R. Marriott gives an account of Palmerston in *Queen Victoria and Her Ministers*; London, Murray, 1933 vide also *Lord Palmerston*, by H. C. F. Bell, *passim*, London, Longmans, 1936.

pretensions. For a balanced Europe was a condition of British trade advance. Palmerston suspended the Foreign Enlistment Act of 1819 to permit Sir De Lacy Evans, a Radical member of the House of Commons, to lead a British Auxiliary Legion to Spain to fight for the government. The Carlists were defeated, though the legion had little to do with that. Then, in January 1839, British men-of-war bombarded Aden as a preliminary to taking control of the place in the interest of the East India Company's commerce. In July, August and November British forces stormed Ghuzni, Kabul and Khelat in Afghanistan, in pursuance of a policy of pacifying India and negating Russian influence. In September 1840, Beyrout, in Syria, was bombarded, and afterwards Acre was bombarded and taken, as incidents of a campaign by which any one foreign power should be prevented from winning undue influence in Asia Minor and the eastern littoral of the Mediterranean. In July 1840, a British naval and military expedition prised open more of China to British trade by a seizure of the Chusan island group. All of this was crude Canningism.

The imperial prospect was a gloomy one. Australian colonists were clamouring for representative institutions and the application of colonial revenues to purposes of colonial development. By the end of 1837 both Upper and Lower Canada were in revolt. If some of the major social-economic problems of Britain and Ireland could not be solved at home—and it seemed they could not—Britain overseas was unlikely to supply a solution, as long as it was managed by Whitehall which could not understand how to use it. Yet as recently as 1835 the Emigration Agent in Canada had reported home that 'the condition and wants of these provinces were never more favourable for the reception of a large number of labouring persons than at the present moment,' and the Australian governors' despatches told a similar story of needed labour.<sup>32</sup> What the colonies lacked—population and capital—the United Kingdom could supply; but the Whig government did not know how to go about the transfer. Certainly it was not true of this period that Britain was, whether 'half-blindly' or otherwise,

laying the foundations of a system whereby freedom and the enriching sense of national unity might be realized . . . in the new and vacant lands of the earth . . ., feeling her way towards a mode of linking diverse and free states in a common brotherhood of peace and mutual respect.<sup>33</sup>

32. *Lords Papers*, 1837, vol. viii, for the 12 December 1835 report of the Chief Agent for Emigration to Upper and Lower Canada, p. 2, for 1836 report, p. 29, NSW reports, pp. 53 *et seq.*

33. Ramsay Muir's view, given in *The Expansion of Europe*, p. 79, London, Constable, 1935 ed. Contrast the conclusion of *The Origin and Growth of Greater Britain*, by H. E. Egerton, especially his citation, p. 64, from *Melbourne Papers*, p. 349, giving William IV's version of the imperial tie. cf. Sir Richard Bourke to Lord Stanley, 25 December 1833 (*H.R.A.*, 1, xvii, or *Select Documents on British Colonial Policy, 1830-1860*, ed. Kenneth

It is true that imperial acts of 1840 and 1867 eventually introduced an adjustment of Canadian affairs, and acts of 1843 and 1850 an adjustment of Australian affairs, but these acts were rather truces in a rearguard action fought against the colonies by the imperial government, or they were measures which the increased economic significance of the colonies made expedient. Pending the economic developments which forced a change, Whiggism had nothing to offer. British ministers whether Whig or Tory opposed the New South Wales demand for a legislative assembly. W. C. Wentworth, leader of the 'popular' party in the colony, had said in 1833.<sup>34</sup>

Indeed of the two we may expect less from the Whigs, for they, having been for twenty years out of office, are now surrounded by hundreds of greedy retainers, whose importunities they find it impossible to resist.

Similarly, in England, would-be colonizers were to find it hard to win substantial ministerial help for or interest in their projects, as is clearly shown in the history of the steps up to the major imperial undertakings of the 'thirties—the promotion by private enterprise of British colonies in South Australia and New Zealand.

N Bell and W P Morell, pp 12 *et seq* (Oxford Clarendon 1928), for this despatch) The Governor of NSW wrote the despatch ten years before the Imperial Parliament conceded a part elective Legislative Council to NSW by 5 and 6 Vict cap 76, 1842 Bourke wrote, 'I would beg leave to add that this colony is so rapidly increasing in population and wealth that the period cannot be much longer delayed when the voice of the colonists for a Legislative Assembly will be forcibly urged upon His Majesty's Government. It becomes then an important question of *present expediency* (present writer's italics) whether it may not be better to effect a change in the gradual manner I have suggested than to delay it until a much greater alteration in the institutions of the country will become inevitable.'

No effective notice of Bourke's recommendation was taken for many years. A similar inability to see the wood for the trees was manifest in the case of the Canadian colonies. Canada had been ceded to England by France in 1763 after the Seven Years' War and English law established by proclamation. In 1774 the Act 14 Geo III, cap 83 restored French civil law but retained English criminal law: the effect was to restore to Lower Canada its French complexion and to divert British immigration to Upper Canada where there was no large French population. (The political division of these territories into Upper and Lower Canada was not however, made until 1791 by Act 31 Geo III cap 31.) From 1791 both Upper and Lower Canada had Legislative Assemblies elected by 40s freeholders in the counties and in the boroughs by owners of property of £5 annual value and £10 tenants and Legislative Councils. In Lower Canada the Assembly was almost exclusively French, the Council, appointed by the Governor all-English. In 1828 a House of Commons committee considered a petition from 87 000 Lower Canadians on the questions of Council nominations and restrictions on the Assembly's control of finance. Acts 3 Geo IV, cap 119, and 6 Geo. IV, cap 59 (1823 and 1825), made some changes, and in 1830 the Act 1, Wm IV, cap. 20, and next year the Acts 1 & 2 Wm IV, cap. 23, made some concessions on finance to the Assembly. The Assembly continued to demand control over revenue, an elective Council, and responsible government. Open rebellion broke out under Papineau in Lower Canada in November 1837, and in Upper Canada in the same month under W L Mackenzie (*vide Ann Reg.*, 1838 (*H. of E.*, pp. 12 *et seq.*), for an account of the risings.) In 1838 the Constitution of Upper Canada was suspended. Lord Durham was sent to Canada to report to the British Government.

The population of the North American colonies at this time was about 1½ millions, including 600 000 British in Upper Canada *vide Loyalists of the American Revolution*, by Lorenzo Sabine especially pp 117 *et seq.*, for an account of the constitutional disputes (Boston, Little, Brown, 1864).

<sup>34</sup> Speech of January 1833, *cit* *Riley Papers* (MSS. in Mitchell Library, Sydney), *Documents*, 1817-56, pp 73 *et seq*

#### iv. *Company Colonization in South Australia and New Zealand*

Four large companies, floated in England, played an important part in the economic development of various areas in Australasia in the 'thirties. They were the Australian Agricultural and Van Diemen's Land Companies (1824), the South Australian Company (1836), and the New Zealand Company (1839). Each of them invested considerable capital in one or more of the Australasian colonies, and in the cases of South Australia and New Zealand effective colonization would not have been made at this time without their initiative. A second interesting feature common to the South Australian and New Zealand Companies was that their several opportunities of testing the new colonial worlds for profit came when they did because of the work of E. G. Wakefield and his associates in convincing the imperial authority that colonization might be worthwhile. Still, neither South Australia nor New Zealand might have been a scene of Crown establishment, in 1836-40, had it not been for just such a lively fear of French occupation, in each territory, as had been entertained when, in the late 'twenties, the colonization of Western Australia by British capitalists was supported, or when, a quarter-century earlier, the Crown itself had planned to colonize Port Phillip and in the event colonized Van Diemen's Land.

But where the imperial authority was interested in colonial extension only incidentally, Wakefield saw in it a direct means of meeting British economic and social requirements. He saw on the one hand in Britain a superfluity of capital and labour for which employment could not readily be found, and on the other hand in America and Australasia a superfluity of land which, were it put to economic use, could directly and indirectly employ, not only British capital and labour which were idle at the moment, but accumulations of the future. He built upon this foundation the framework of a system by which idle land in unoccupied 'colonial' or unexploited areas and idle British factors of production might best, according to his view, be brought into a profitable association. This system, briefly, required that waste lands should be sold at a fixed price high enough to prevent labourers from becoming landowners 'too soon,' and that the proceeds of such sale should be used to finance the emigration of labourers to be employed in the waste areas.

The fault of his system was that, worked out *a priori* for areas of which he knew little or nothing, it could not allow for local developments. For instance, his system was more or less applied in New South Wales, where a pastoral extension of settlement

modified it; in South Australia, where defective arrangements for administration, immigration, survey and valuation of lands complicated the issue; and in New Zealand, where absentee-owned land and the complexities of native ownership made impracticable the balance of employed capital and labour which his logic required. Indeed there never could have been laboratory conditions for Wakefield's scheme of 'systematic colonization'; for apart altogether from peculiar conditions which must arise in any new settlement, his personnel, which *ex hypothesi* was gathered indiscriminately from buyers of shares, could not be depended upon to engage in farming and to refrain from land jobbing.

But it is pointless to enquire whether in any instance Wakefield's ideal system was realized. The point is that he was successful in advocating a means of persuading capital and labour to leave Britain at a time when it was necessary for British profit that this should happen. The advent of new capital and labour had, in general, a stimulating effect on the Australasian colonies. British 'colonialism' or 'imperialism'<sup>35</sup> owed much of its form to Wakefield. To assess his importance in imperial history we need not for our purpose go beyond the terms of economics. Thus C. K. Hobson, whose concern is British foreign investment and its implications, writes.<sup>36</sup>

One of the principal effects of British foreign investments has been to increase the supplies of food and raw materials, without which the life of our growing population could not have been sustained. The number of inhabitants in Great Britain has been multiplied, while the profitable openings for capital within this country have been greatly increased simultaneously with the amount of wealth accumulated. . . . A further important consequence of the export of capital must be mentioned, namely, its effect on emigration. The development of foreign countries by imported capital causes a demand for labour to spring up to co-operate with the capital. High wages attract immigrants from countries where wages are low. . . .

35 For an admirable discussion, profusely documented and very closely reasoned, of Marxian, Liberal and Sociological Theories of Imperialism students of Wakefield, etc., may consult E. M. Winslow's article in *Journal of Political Economy*, December 1931, vol. 39, no. 6, pp. 713-58. *Et vide* the discussion in the Review chapter of W. K. Hancock's *Survey of British Commonwealth Affairs*, vol. 1, Oxford University Press, 1937. There are references to Wakefield, the Australian Agricultural Company and V.D.L. Co., and an account of emigration in the 1820's, in the present writer's *British Imperialism and Australia 1783-1833*, especially Chapters 6 (f) and 7 (a), and the references given there should be consulted.

Karl Marx, who was a younger contemporary of Wakefield, estimated (*Capital*, Eden and Cedar Paul's trans. 4th German ed (vol. 1), p. 849) 'E. G. Wakefield's great merit is, not that he discovered anything new concerning the colonies, but that he discovered, in the colonies, the truth as to the conditions of capitalist production in the mother country. . . . He made the discovery that capital is not a thing but a social relation between persons, and a relation determined by things. Mr. Peel, he says lamentingly, took with him from England to Swan River, Western Australia, means of subsistence and means of production to the value of £50,000. He had the foresight to take with him, in addition, 3,000 persons, men, women and children, members of the working class. But, on arrival at his destination, Mr. Peel was "left without a servant to make his bed or fetch him water from the river" (*Wakefield's England and America*, II, p. 33). Poor Mr. Peel, who had provided for everything, except for the export of the English relations of production. He had forgotten to bring these with him to Swan River!'

36. *The Export of Capital*, by C. K. Hobson, pp. xiii-xvi; London, Constable, 1914.

The expectation of this interdependent series of consequences is in Wakefield's writings of seventy or eighty years earlier when the process of capital export to waste lands for their development had scarcely begun, and his stature in the history of the British Empire is commensurate with the results of the process. The social historian will assess him correctly as the author of 'a land system invented to keep the poor man off the land,'<sup>37</sup> and with equal accuracy his theory is described as one of the most important discoveries of modern times.<sup>38</sup>

However, our present concern is Wakefield's work in the context of the 1830s, when the British government opposed or lent indifferent aid to colonial projects, and when, owing to Wakefield more than any other, the *entrepreneurs* of British capital were themselves able to undertake an extension of their field of profitable investment. Sometimes government was aware of the fruitlessness of its opposition to colonial experiment. For instance, Lord Glenelg, who was Secretary of State for the Colonies when South Australia was promoted by English investors and Port Phillip was settled by colonial pastoralists, wrote<sup>39</sup> to the Governor of New South Wales in 1836

The motives which are urging mankind to break through the restraints [of established policy] are too strong to be encountered with effect by ordinary means. All that remains for the Government in such circumstances is to assume the guidance and direction of enterprise which, though it cannot prevent or retard, it may yet conduct to happy results.

Still, as will presently be seen from the story of colonization in South Australia and New Zealand, the official endeavour to 'prevent or retard' had not lost vigour even late in the 'thirties. Sutherland, the historian of the South Australian Company, writes<sup>40</sup> justly

The despatch of the pioneer vessels of the South Australian Company, without waiting for the official sanction which had so long been sought in vain, may be taken as a type of what happened at the founding of almost every settlement by British colonizers at that date. When the New Zealand Company failed to pass its bill in the House of Commons, and quietly fitted up the ship *Tory* to convey a party under Colonel Wakefield, the British Government despatched the warship *Druid* to chase the expedition and bring its leaders to their senses. When Batman and others of his colonizing association, tired out with waiting for official sanction for their proposed settlement on the present site of Melbourne, crossed Bass's Strait with a few sheep and began pastoral operations near Port Phillip, they were warned that they could not be regarded in any other light than as trespassers and intruders.

37 The phrase is taken from an unpublished work on the history of New South Wales during the Governorship of Bourke (1831-7) by John Metcalf, Deputy Principal Librarian of the Public Library of New South Wales.

38 J. D. Lang, *Historical and Statistical Account of New South Wales*, 3rd ed. pp. 142-3. London: Longmans, 1852.

39 Lord Glenelg to Sir Richard Bourke, 13 April 1836, *HRA*, 1, xviii, p. 380.

40 *The South Australian Company* by George Sutherland, pp. 2-3. London: Longmans, 1898.

And the fact is that in reviewing English promotion of colonies in the 1830's we are reviewing the prickings by which British capital was able to goad the government into tolerating colonial experiment—where it suited the government's foreign policy to tolerate it. Wakefield supplied most of the pins. Those who used them were members of parliament—Radicals for the most part—and his own brothers, and capitalists whom his advocacy had brought to expect profit from colonies.

He had written his *Letter from Sydney* in 1829 in Newgate Gaol, setting out the essence of his argument. He was released from prison in May 1830, and almost immediately proceeded to found the National Colonization Society, of which Robert Gouger was secretary. (He was a 28-year-old Radical and associate of Robert Owen. He had just returned from Spain, where he had been active in the democratic movement.)<sup>41</sup> The society promulgated the idea of a 'systematic colonization' which would turn waste lands into farms and support the emigration of surplus British farm labourers; and it promulgated this at a time when the incoming Whig ministry, confronted by social and economic problems made disagreeably manifest by revolting farm labourers who followed a legendary 'Captain Swing,' was apt to listen to the exposition of any method by which the rural parishes might be cleared of unemployed. Goderich, the new Colonial Secretary, lost no time in putting into effect in Australia the central Wakefieldian principle of the sale instead of the free grant of lands and in requiring that the proceeds of land sale should be applied to promoting the emigration of people of the working class from England.<sup>42</sup> But the minister had hardly written his despatch which ordered the cessation of granting and the institution of sale (by auction—contrary to Wakefield, who advocated a fixed uniform price such as was impracticable in New South Wales with its forty-years' history and its differentiated land values), when Major Bacon, a soldier of fortune, was at his door (February 1831) with a scheme for founding a colony in unsettled South Australia. Bacon's proposal was rejected, he joined the Wakefieldians, and in the middle of the year Gouger presented to the parliamentary under-secretary for the colonies, Lord Howick, what was probably the first Wakefield scheme for colonizing South Australia.

The Wakefield group, Grenfell Price writes,<sup>43</sup> 'wished to found

41. *vide The Founding of South Australia, from the journals of Robert Gouger, first Colonial Secretary*, ed. Edwin Hodder, London, Sampson, Low, Marston, 1898, *passim*, for Gouger, *op. cit.* Chapter II, for the active parts which Gouger and Light (first Surveyor-General of South Australia) took in the Spanish civil war in 1830 on the side of the *liberales*.

42. *vide British Imperialism and Australia*, Chapter 7 (a)

43. *The Centenary History of South Australia* (supplementary to vol xxxvi of the *Proceedings of the Royal Geographical Society of Australasia, South Australian Branch*). Chapter IV ('Prospectus and Flotation'), by A. Grenfell Price, p. 47

a colony in which they could operate their principles without interference.' There could be no such colony, within an empire whose administrators had to study an international situation and whose capitalists were more interested in overseas stocks than stocks. But there were reasons why the government, as well as the society, should be interested in South Australia at this time. Captain Charles Sturt and Collet Barker had on their recent journeys of exploration found fertile land in those parts; and there was an imperial competitor in the field—French explorers had made their way along the southern coast of the Australian continent.

The danger of a French occupation of the Golfe Josephine—as Napoleon had named the inlet near to which Adelaide now stands—was . . . by no means imaginary, and the events succeeding the Revolution of 1830 served to enable the British people to realize what would happen should a new French colonizing leader arise<sup>44</sup>

At any rate, in 1832 Wolryche Whitmore, a Radical member of parliament, and others formed the South Australian Land Company, which proposed to buy South Australian land from the Crown with a quarter of its projected capital of half a million sterling, to advance to settlers a quarter, and to spend the other half on developing the land it would have acquired. But Whitmore, like Bacon, put forward his proposals too early. Goderich refused on the ground of the 'great inconvenience [which] would arise from the circumstance of a new colony being placed so near to the penal settlements at Sydney and in Van Diemen's Land, as that proposed.'<sup>45</sup> After the rebuff the intending settlers, who had subscribed £100,000 capital,

<sup>44</sup> Sutherland *op cit*, p. 4

<sup>45</sup> *cit* *The Colonization of Australia (1829-42)*, by R. C. Mills, p. 223, London, Sidgwick & Jackson, 1915

Probably James Stephen put the objection into Goderich's mind, *vide* his memorandum *cit* Bell and Morell, *op cit* pp. 199 *et seq.*, in which he opposes endorsement of a plan to colonize South Australia on the grounds (1) that the colony would be a refuge for runaway convicts from the penal settlements, (2) that the 1832 proposal being for foreign in addition to British emigration, to an extent 'the design of making it a place of refuge for necessitous persons in this Kingdom (might) be defeated', (3) that a larger capital would be required than would likely be available, (4) that the then proposed minimum sale price of 5s. an acre for land was not worth considering until the value of land was known, i.e. by survey, (5) that there was no security for the company's proper management of the emigration fund from land sales. Stephen concluded 'that this project is wild and impracticable'.

Probably Mills's *op cit.*, is the best introduction to the early history of South Australia. Serviceable outlines are given by A. Grenfell Price in his chapter *cit supra* in *The Centenary History of South Australia*, and in his *Foundation and Settlement of South Australia*, Chapter I, Adelaide, Preece, 1924. George Sutherland, *op cit* gives an excellent account of the promotion and early history of the colony. Accounts by contemporary observers are *Early Experiences of Life in South Australia*, by J. W. Bull (who arrived in the colony to settle in 1838), Adelaide, Wigg, 2nd ed. 1884, and *The Constitutional History of South Australia*, by B. T. Finnis (who arrived in the colony in 1836 as a member of the first official party), Adelaide, Rigby, 1886. Bull is worth study for his descriptions of the first 'overlanding' of cattle from New South Wales to South Australia, 1838, on pp. 76 *et seq.*, discoveries of minerals from 1838, pp. 155 *et seq.* Grenfell Price gives in his *Foundation and Settlement* reference to British official sources, and many of these may be consulted in *Historical Records of Australia*, ed. Frederick Watson, series I, vols. xvi *et seq.* Gouger's journals, edited by Hodder, are useful, still more so, Hodder's *George Fife Angas*, London Hodder & Stoughton, 1891.

dispersed—some to emigrate to other colonies—and the South Australian Land Company was dissolved.

The second stage of approach to South Australian colonization was reached with the formation early in 1834 of the South Australian Association.<sup>46</sup> Sturt the explorer was in England in February, his account to the Colonial Office of the fertility of the land which he had seen in his journey down the Murray River from New South Wales, must have been put to the credit of the advocates of new development. But 1834-5 was not in every respect a good time to get government to undertake new projects, there were rapid shifts of ministry. Goderich had left the Colonial Office in March 1833 and Lord Edward Stanley (afterwards Earl of Derby) administered the department when, in November, Wakefield's *England and America* appeared, giving additional publicity to his views, and when Sturt visited England and the Association was formed, a little later. In June Stanley deserted Grey's ministry on a question of Irish policy, and the Prime Minister and Goderich retired. In July Lord Melbourne formed a ministry in which Thomas Spring Rice (afterwards Lord Monteagle) took the Colonies; but the ministry was displaced in November by William IV, and Wellington formed for Peel a Tory ministry in which Lord Aberdeen was Colonial Secretary. This ministry went out next April, when Lord Melbourne returned, with Lord Glenelg at the Colonies. It was during Spring Rice's brief stay at the Colonial Office, July-November 1834, that the third step was taken towards South Australian colonization by the passage, through two Houses which, as the thin tale of divisions shows, were not much interested, of the South Australian Act in July-August 1834.

E. G. Wakefield had supervised Daniel Wakefield's drafting of the bill, which was introduced by Whitmore. A compromise between the Wakefield-Radical group and the Colonial Office,<sup>47</sup> the measure as assented to on 15 August was bound to work unsatisfactorily. It divided responsibility at home for South Australia-to-be between the Colonial Office and a Board of South Australian Commissioners set up by its provisions, and divided responsibility in the colony between the Governor and a Resident Commissioner of the Board. Further, the Commissioners

had to provide funds by loans for a government for which they were not responsible, and the Governor who was responsible alone to the Colonial

46 *vide* Grenfell Price, *Cent Hist.*, p. 53, for a reproduction of the announcement of the 30 June 1834 meeting of the South Australian Association, with the membership of the organizing committee *vide* Chapter V of Hodder's *George Fife Angus* for the steps preliminary to the founding of the colony.

47. *vide* Bell and Morell, *Select Documents on British Colonial Policy 1830-60*, p. 205, note 1 and pp. 205 *et seq.* for the chief provisions of the South Australian Act.

Office had to depend for his supplies on the Commissioners, . . . in the colony the disposal of land was in the hands of a Resident Commissioner responsible to the Commissioners alone, and with the exercise of his duties the Governor could not interfere, [and] no provision was made for any local control over expenditure.<sup>48</sup>

The act provided, in fact, for the setting up of an ordinary Crown colony, saving the important auxiliary machinery of Colonial Commissioners who would finance and people the colony. Before the act could become operative at all, the promoters were to prove that the location of their proposed settlement was suitable, and they were to sell £35,000 worth of land and find £20,000 as a guarantee fund. After that, Wakefieldism might be tried, in the qualified sense that a minimum price of 12s. an acre might be charged for land and the proceeds used for sending out 'young marriageable persons' in proper sex proportions.

Commissioners under the act were appointed in February 1835, Colonel R. Torrens was named chairman. When the Melbourne ministry succeeded Peel's the Board was reconstructed (5 May), Torrens remained, and Rowland Hill (who later introduced penny postage in England) was secretary. In June the Commissioners announced the terms on which land would be sold: in deference to Wakefield the 12s. minimum price would be dropped and a fixed price of £1 an acre charged (Wakefield had advised £2), and preliminary buyers would have the right of nominating five emigrants for every £80 invested and could buy one acre of town site at £1 for every 80-acre country section bought. Obviously more than 400 such sections would have to be disposed of before the Commissioners could satisfy the act's requirements of preliminary sales to £35,000, but late in 1835 only about three-quarters of the preliminary allotment had been applied for.<sup>49</sup> George Fife Angas,<sup>50</sup> a member of the Board who was to prove the practical founder of the colony, took up at this point 102 sections which had not been sold, as a consideration, the Commissioners agreed to reduce the fixed price from £1 to 12s. an acre. Angas's buying syndicate (including T. Smith and H. Kingscote) transferred its purchase to a South Australian Company, the flotation of which, on 22 January 1836, was the fourth important step towards South Australia (after the Land Company of

48 Mills's comments, *op cit.*, p. 233

49 Price writes (*Cent Hist.*, p. 50) that up to September 1835, only 334 sections had been sold, of 429 which must be sold before the act could become operative, and (p. 54) that after the agreement with Angas (by which the earlier buyers at £1 per acre were reimbursed in land on the reduction of price from £1 to 12s.) the necessary guarantees were fulfilled by December 1835. *c.f.* Sutherland, who writes, *op cit.*, p. 47, that by the beginning of 1836, 335 out of a required 437 preliminary sections had been sold. As the sections were of 80 acres each, sale price then £80 per section, and as each carried a city site acre at £1, the required number to aggregate £35,000 sale price, would be 433 sections—assuming that the right to buy a city site acre at £1 were taken up in every case.

50. *vide* Hodder's *George Fife Angas* for a good account of this man's work, including the biographical summary on p. 111

1832, and the Association and the South Australian Act of 1834). Angas, chairman of the new company's board of directors, resigned from the Board of Colonial Commissioners. His company, before initiating a South Australian settlement, published late in 1835 a prospectus<sup>51</sup> advertising most ambitious proposals.

The proposal for another Australian colony had been brought almost to the point of realization, then, by the dovetailing of an idea and a number of interests, political as well as economic and state as well as private.<sup>52</sup> But during the tortuous adjustments one to another of the Wakefield idea and the interests concerned, nothing had been accomplished in the selected territory to prepare the ground for colonization. The Board had not sent out surveyors, for the sufficient reason that they had no power to do so until they should have £35,000 receipts from land sale and could produce £20,000 as a guarantee fund. By the beginning of 1836 the conditions were satisfied, however, and about six months later, on 11 July, letters patent were issued to Captain John Hindmarsh as Governor of South Australia. Before this, in April, Angas's board of directors, impatient of delays which soon would amount to two years, had sent out a colonial manager, Samuel Stephens, with experts and equipment in four ships, to begin colonizing. Colonel Light, the Commissioners' surveyor, sailed in May, to be followed by the Governor, his staff, and the first colonists. Nine ships reached the colonial terminus in this year, carrying 546 persons in all to the settlement, three of these ships were the Board's, four the Company's, and it was the Company, and not the Commissioners or the imperial government behind them, that financed the first eighteen months of settlement.<sup>53</sup> The government had,

51. The prospectus specified seven objects of the company:

1. The construction of buildings and wharves, for lease on the company's city site blocks
2. The cultivation and leasing or sale of part of the company's country lands, and the sub-letting of its pasture lands
3. The establishment of farms for lease with right of purchase by the lessee
4. The growing of wool for European markets
5. Whale seal and other fisheries curing and salting of fish.
6. Curing and salting of beef and pork for ship's stores and export
7. The establishment of a bank to lend on land produce, etc

52. Apprehension of French designs on South Australia induced the Duke of Wellington to muster Tory support for the South Australian Bill in the House of Lords, where the non-Government parties were in a majority. It was curious that a man of Wellington's politics should assist an enterprise of which Radicals like George Grote, William Clay and H. G. Ward, and Whitmore, were moving spirits. They were all members of the committee of the South Australian Association.

53. For these facts *vide* Finnis, *op cit*, p. 2, Price, *Cent Hist.*, p. 54 *vide* George Fife Angas, pp. 126-33, for the S.A. Coy's subsidiary, the S.A. Banking Coy. The Bank of South Australia was formed in 1836, actually before the colony was founded, after negotiations with the just-founded Bank of Australasia, for the transaction of the S.A. Coy's financial affairs had broken down. Eight directors of the S.A. Banking Coy., which was presently separated from the S.A. Coy. under that name, were directors of the parent company, as was the manager of the Bank. In 1867 the original name—the Bank of South Australia—was resumed, and in 1884 the Bank of South Australia Ltd. was registered.

however, to make up some financial leeway before many years had passed.

South Australia was not different from other colonial enterprises in the inadequacy of preparation made for its effective establishment. Rowland Hill, secretary to the Board, had said,<sup>54</sup> 'There is an essential difficulty, namely, the necessity for selling land, or doing that which is equivalent to the sale of land, which no one knows anything about.' (Surely an exclamation mark might well be added to this statement.) And Wakefield, pursing lips at an imperfect trial of his system, reasonably characterized the Commissioners as 'ignorant and careless amateurs.'<sup>55</sup>

The disposal and use of the available land was the initial difficulty after the arrival of the early parties. Angas and the Commissioners had agreed that special surveys would be made of any area of 15,000 acres denominated by any buyer of 4,000 acres, and that the buyer might select his 4,000 acres from the 15,000 acres surveyed. But it was found that the cost of surveying the larger area was nearly as large as the price the Commissioners got for the smaller. Moreover, many of the preliminary buyers who went out showed a disposition to await, in the infant capital of Adelaide, later arrivals who might take over their country holdings at an advanced price. So, though by 1840 the free colony—the act specified that it should not be used as a penal settlement—had a population of nearly 15,000, or more than had come free to the penal settlements of New South Wales and Van Diemen's Land together in a quarter century, nearly 60 per cent of them lived in Adelaide, and the 6,000-odd who were actually 'on the land' had only 2,686 acres in cultivation. Politically, too, the situation was unsatisfactory. The Governor was at odds with the Resident Commissioner, and that clash of authorities was only terminated by the vesting of both offices in Colonel Gawler, who superseded Hindmarsh in 1838. (But the colony went bankrupt under Gawler.) The inept Commissioners at home had their way as a rule with the Secretary of State, Glenelg, and Torrens, their chairman, was given a salary from 1837, but when late in 1839 his colleagues sought a like standing Lord John Russell, then Secretary of State, dismissed them and appointed in their stead a Board of Colonial Commissioners who, charged with supervising emigration to all British colonies, had at length to dishonour Gawler's bills upon them.

New Zealand, like South Australia, was colonized as a result of

<sup>54</sup> *cit.* Sutherland, *op cit.*, p. 33

<sup>55</sup> *A View of the Art of Colonization*, by E. G. Wakefield, p. 50, London, Parker, 1849.

the efforts of the Wakefield group.<sup>56</sup> Colonel Torrens had been a member of the 1825 syndicate which became the first New Zealand Company, and Lord Durham, who at the close of the 'thirties presented a famous report on the Canadian colonics, was another. This was a short-lived venture. The company, which was formed before the commercial crisis of 1825, laid out £20,000, from late 1826, in preparation for a New Zealand trading establishment.<sup>57</sup>

But after the abortive venture in 1826-7 no serious interest in New Zealand was shown in England until 1836, when South Australia was being launched. The familiar names crop up. H. G. Ward was chairman of a select committee of the Commons on colonial lands, sitting in that year, and Wakefield was the chief witness to appear before it, Hutt, Molesworth and Ward were on the committee of the New Zealand Association which Wakefield organized early in 1837. And when in June Francis Baring, a member of parliament, waited on Melbourne and Howick in the Association's behalf he received little more encouragement than had the Radical visionaries of South Australia in their somewhat similar representations of from seven to three years before. Baring's bill to authorize a New Zealand colony (which project Wakefield had recommended to the 1836 select committee) was thrown out on the motion for a second reading in 1838. It had received short shrift from an ill-attended House of Commons (the voting was 92.32).<sup>58</sup> A few weeks later, in August, a private enterprise was organized, the New Zealand Colonization Company, and on 2 May 1839, a New Zealand Land Company, later to be styled the New Zealand Company, was promoted by the August partners, the board of directors including several persons who had been directors of the 1825 company.

Vexations similar to those which the advocates of South Australia had experienced were the lot of Wakefield's New Zealand promotion group. At the Colonial Office James Stephen (at first counsel and afterwards permanent under-secretary) maintained his accustomed opposition to private colonizing. But on Lord John Russell's advent to the secretaryship of state the outlook brightened. He set about systematizing the business of emigration by appointing as already mentioned a Board for all colonies, and he seemed to view favourably the latest New Zealand proposal. But, again as in the case of South Australia, an impatient company had tired of waiting upon the official will, and on 29 April 1839, the directors

56 Hodder writes (*George Fife Angas*, Chapter VIII) that Angas deserves much of the credit for stimulating the Colonial Office to annex New Zealand.

57 J. S. Marais gives (*The Colonisation of New Zealand*, p. 25, Oxford, 1927) an impression that the first N.Z. Co. was dissolved in consequence of the economic crisis of 1825. In fact the company did not commence operations until much later than the incidence of crisis.

58. *vide Ann. Reg.*, 1838 (*H. of E.*, pp. 150 *et seq.*).

had informed the Colonial Office that their ship the *Tory* was about to sail for New Zealand.<sup>59</sup>

Successive colonizing expeditions were sent by the company during this year and the next, and the *Tory's* colonists and emigrants were soon heavily reinforced at Wellington, where Wakefield's brother William, a veteran of the Spanish civil wars who bore the title of Colonel, had made the company's first settlement in New Zealand (in the south of the north island). The *Tory* had arrived on 19 August 1839, from the date of its sailing from England in May 1839, to November 1841, more than 6,000 emigrants were despatched to New Zealand by the company. About 10 per cent of them were persons of some capital. During the next two and a half years the total emigration was increased by only 2,500 persons, including however almost as many persons of substance as had sailed in the earlier period of larger emigration.

The landbuyers tended, like their kind in South Australia, to hang about the settlement which the Wakefields (Colonel William and Captain Arthur Wakefield)<sup>60</sup> had made at Wellington and Nelson (in the north of the south island). Condliffe writes,<sup>61</sup>

With remarkable prescience Wakefield chose as the first region of settlement the central region on either side of Cook Strait, and planted colonies at Wellington, Wanganui, New Plymouth and Nelson. With the exception of Nelson, these settlements, once their initial difficulties were overcome, proved to be admirably located. They had access to some of the richest plains in the country and have since developed into closely settled regions of small farming.

But it was not the work of the first landbuyers that launched effective settlement in New Zealand. In many cases they did not attempt to cultivate their land. One result was that emigrant labourers arriving found no farmer to work for, throwing upon the company which had promised them employment the expensive obligation of maintaining them. So in New Zealand, as in South Australia, in the first years a large number of the founders of new worlds were reduced to a dole.<sup>62</sup> The situation resolved itself in time in

59. Facts mostly from Marais, *op cit.*, pp. 26-40.

60. The Wakefield family made a strong muster for Edward's projects. In addition to his brothers Colonel William and Captain Arthur Wakefield, R.N. (ret.)—Arthur was killed soon after the first settlement, when trouble with the natives was experienced—the youngest brother, Felix, went to New Zealand. He had been a private surveyor in Van Diemen's Land, that so unWakefieldian colony, when his brothers sailed for New Zealand. E. J. Wakefield Edward's only son, had sailed in 1839 in the *Tory* with his uncle William.

61. *The Making of New Zealand*, p. 19, London, George Allen & Unwin, 1930.

62. *vide* Condliffe, *op cit.*, p. 18—Transport and communication were so slow and uncertain that (the early New Zealand colonists) had to provide for themselves the materials of economic and social organization. It is true that, more than in most new colonies, they brought with them and continued to import large stocks of material capital, but there was no ready means by which they could export any means of payment. They were, therefore, forced back to primitive and even rudimentary scales of living until they discovered the prospects of raising sheep upon the open plains of the south island, and so were enabled to export wool in large quantities.

*vide* Chapter III, for the poor relief system in early South Australia.

a more or less satisfactory way. If, as happened, the sufficient price' was sufficient to prevent labourers from acquiring capitalists' land, but insufficient to prevent capitalists from holding their land for resale instead of employing it for their profit and the hire of labour, then the only recourse for the company was to set up the labourers on small holdings of their own. This its agents did, and we find a select committee of the New Zealand Legislative Council reporting<sup>63</sup> of the settlers about Nelson,

When the claims to Crown land were investigated the other day, there were only about fifty original purchasers from the company remaining in the settlement, but there were more than two hundred other persons, chiefly of the working class, who, though they had not paid any money to the company (i.e., as original buyers), were yet prosperous landowners there.

Some practical settlement was made, thus, without Wakefield's inspired word.

His company had undoubtedly started a colony, where the thousand or two earlier white inhabitants of New Zealand, whalers, traders, missionaries, runaway convicts from Australia, and the Resident from Sydney, had shown little disposition so to do. But perhaps it is somewhat of an exaggeration to write<sup>64</sup> of the New Zealand Association which fathered the company and the colony as the 'principal author of the annexation of New Zealand'. New Zealand was annexed to the British Crown in 1840 for the immediate reason that in the previous year the French Nanto-Bordelaise Company,<sup>65</sup> which was formed to develop the south island, was already taking steps in that direction, and an obvious likelihood of French annexation of the island presented itself to the British government. It was for this reason above all that Captain Hobson, who had been Resident and was to be Governor until 1842, received instructions the sequels of which were the completion of the treaty of Waitangi, to which on 12 February 1840 forty-six north island chiefs affixed their marks, and the annexation of the south island. The Nanto-Bordelaise Company actually sent out fifty-seven French emigrants in the very month of the British annexation.

<sup>63</sup> *cit. Marais op. cit.* p. 141.

<sup>64</sup> *ibid.* p. 97.

<sup>65</sup> For this company and generally for the contemporary French interest in New Zealand *vide England and New Zealand* by A. J. Harrop. Chapter V pp. 120 *et seq.* London: Methuen, 1926.

## CHAPTER II

### THE EXPANSION OF AUSTRALIA, 1834-40

- i. Finance and Politics of the Pastoral Extension
  - (a) New South Wales
  - (b) Van Diemen's Land
- ii. The Pastoral Extension
- iii. The Labour Problem

#### i. *Finance and Politics of the Pastoral Extension*

##### (a) New South Wales

ENGLISH capital enterprise made colonies in South Australia and New Zealand, in a few years after 1834, while in the half-century-old colony of New South Wales it financed an extension of pastoral settlement southward into lands which became the colony of Victoria and northward into lands which became the colony of Queensland. This in short was the time when outward impulses which had been generating for years past in English economy were applied on a comparatively large scale to the exploitation of Australasian land for private profit. These impulses took more than one direction and revealed themselves in more than one form—the promotion of agricultural settlement, for example, with contingent attention to emigration and trade development—but above all, British investment in Australia in the period of feverish expansion (1834-40) was concentrated on the pastoral industry to which colonial enterprise had devoted itself since the last years of the previous century. It is *wool* finance that punctuates Australian history from (say) 1817, when the first Australian bank was opened and the first auction of colonial wool held in London. Thus 1821 is a date which marks a new stage, of the first wool export of consequence from Australia and of the introduction of an imperial government policy which encouraged a steady if not considerable flow of private capital from Britain to Australia. The date 1834 marks a further stage, at which the passage of the Forbes Act through the New South Wales Legislative Council cleared the way to the Australian pastures for English banking capital; a sharp rise of price of colonial wool in London had been experienced earlier in the year. Then, assessing the results of such develop-

ments as at 1840, by which year the area of Australia in pastoral occupation had been multiplied to many times the area occupied in 1817 or 1821, we find that the year's wool export was four times the quantity of 1834, the number of immigrants three times, the total receipts from land sales nearly eight times, paid-up bank capital more than twenty times as great as in 1834; Australia was about to become (1845) the chief overseas supplier of the great British woollen industry, and in 1840 was obviously destined soon to oust the German States from that place. An economic transformation of Australia was accomplished in the 1830's; fine wool for English industry was the object and English capital was the motive power of what took place; and the net result was the establishment of a pastoral industry strong enough to postpone until the 1860's any serious reconsideration of the question: What is the best economical or social use to which the land of the Australian eastern colonies can be put?

There must be a brief prelude to any description of the movements of capital and public policy by which the pastoral extension was made. It is necessary to recall that until the colonial constitutions of 1855-6 came into operation, rights over the colonial lands were exercised by the imperial government. This authority did little until a late stage to promote or sanction the economic use of the land; the most that was done in the first thirty-five years of British Australia was Macarthur's experimental sheepbreeding, which was smiled upon by the Colonial Office at the prompting of woollens manufacturers from 1804, or the agricultural settlement of thousands of ex-convicts in Macquarie's term as governor (1809-21). Crown land, which was distributed by grants of the governors, was alienated by 1821 to the extent of perhaps 1,000 square miles,<sup>1</sup> of which two-thirds was used for grazing, and perhaps one-fifteenth for cultivation by 9,000 men of whom five out of six had come as convicts to New South Wales. (Their holdings aggregated an area, grazing and farm lands, no greater than that of the modern Australian Capital Territory, which appears as a small blotch on the map of New South Wales.) But after Macquarie, the conditions of an overcrowded post-war England, with more criminals than ever and too few opportunities to go round, were reflected in a change of the Imperial policy for Australia. 'Respectable capitalists and men of family'<sup>2</sup> were encouraged to emigrate to Australia (and employ convicts), and large grants of land were made. To get public

1. *vide* Chapter 7 (a) of *British Imperialism and Australia* for an account of land legislation and regulation to 1831, with an analysis of the imperfect and varying statements and estimates of land alienated to 1821. The figure given here is that of the Surveyor-General, John Oxley.

2. *A History of New South Wales*, by T. H. Braim, vol. i, p. 53; London, 1846.

capital to finance a much larger penal Australia, the sale of Crown land was authorized for the first time in August, 1824, and in four years Sir Thomas Brisbane, as governor, granted nearly as much land, and sold half as much, as had been alienated from the Crown in thirty-four years before him. The quantity of New South Wales land alienated by the end of the 1820's was six times what had been disposed of when the decade began. And by 1828 the old system of peasant settlement was a memory; the least quantity of land which could be bought of the Crown was half a square mile, convicts were no longer given land with their freedom but must work for wages. Pound and Fencing Acts penalized the smaller settler to the advantage of the larger, and four square miles was the size of a grant to a moneyed colonist. The Colonial Office in 1831 finally laid away its old notion of New South Wales as a settlement for prisoners and ex-prisoners, substituting the conception of a colony in which land would be alienated by auction, instead of grant or tender, and the proceeds used to finance the emigration of unemployed English workers, and in eight and a half years to the end of 1840, 30,000 immigrants were brought to the colony, two out of three having their passages guaranteed by the emigration fund from land sale proceeds.

In these new circumstances Australian economy, hitched to a wool waggon, moved forward at a rate which would not be exceeded between 1840 and the early gold period a dozen years later. 'Clergymen too often turn farmers and speculators,' Sir George Grey wrote at the height of the land boom, 'even if they do not altogether throw aside their sacred character. Medical men but rarely pursue their practice, when such remunerating fields of enterprise are laid open to them; soldiers abandon their calling, the government officers are all virtually farmers and stockowners.'<sup>3</sup> And wool, on which the boom was based, seemed quite capable of supporting it: the colonial wool cheque in 1834 was four times as great as in 1831, in 1840 more than seven times as great. The encouragement was such that the amount realized by the sale of Crown land in 1840 was twenty-five times the figure of 1832, the first full year of the auction system, and the increase of business activity is suggested by the doubling of bank notes in circulation in 1840, as compared with 1836.

This extension of New South Wales settlement, production and trade in the 'thirties was made possible by the Act of Council 5 Wm. IV, No. 10, passed in August 1834, which is usually given the name of Sir Francis Forbes, who was a Member of Council and Chief Justice when it was enacted. It was 'an Act for removing doubts

3. *Journals of Two Expeditions of Discovery in North-west and Western Australia 1837-8-9*, by Sir George Grey, II, p. 192, London, Boone, 1841

respecting the application to New South Wales of the laws and statutes of England relating to usury and to limit and define the rate of interest which may be recovered when it hath not previously been agreed on between the parties.' This important act (which restricted to 8 per cent, *where there was no agreement beforehand*, the rate of interest recoverable in the colonial courts, and which had been foreshadowed by a Supreme Court decision<sup>4</sup> fourteen months before) was carried through by the influence of prospective British investors on the colonial merchants and landowners who constituted the New South Wales Legislative Council. J. B. Montefiore & Company,<sup>5</sup> acting for the directors of a Bank of Australasia which had been chartered in England, published an abridged prospectus of the Bank in Sydney in the month in which the act became law, offering 500 out of 5,000 £40 shares for subscription in the colonies. The preliminary meeting of a colonial banking company, the Commercial, was held before mid-September. Thus began a period of five years during which 'capital of all kinds, but especially banking capital, . . . poured in' to New South Wales.<sup>6</sup> There were seven banks in 1840 where there had been but two in operation in mid-1834, and their paid-up capital amounted to £1.3m. compared with £84,000.<sup>7</sup> The Bank of New South Wales, Macquarie's creation, dated from 1817, the Bank of Australia, in which the Macarthurs were interested, from 1826. The Bank of Australasia, 'the Leviathan' from overseas, opened offices in Sydney and Hobart in 1835 and in several other towns within the next five years. The Commercial Bank of Sydney commenced business in 1835, the Sydney Banking Company and the Port Phillip Bank in 1839. In that year the Union Bank of Australia,<sup>8</sup> the principal

<sup>4</sup> *Macdonald v Levi*, June 1833 *vide* N.S.W. *Votes and Proceedings* 1834-7, pp. 175 *et seq.*, and *Sydney Gazette* 11, 13, 15 June 1833

<sup>5</sup> Jacob Montefiore, who represented this firm in Sydney and who was busy in advocacy of Sir Francis Forbes's proposals for removing restrictions on the rates of interest which could be charged and recovered in the courts, was also a figure in the (contemporary) founding of South Australia. He was a member of the South Australian Association which was formed early in 1834 to promote a colony and he was one of the first Board of Commissioners for South Australia from 5 May 1835. The Bank of Australasia, in the establishment of which he assisted at this time had been selected by G. F. Angus and his associates of the South Australian Company (1836) to manage the company's finances, the negotiations broke down, however, *vide* Hodder's *George Fife Angus*, pp. 102, 106, 126-7, etc

<sup>6</sup> Gipps to Stanley, 6 May 1843, *HRA*, I, xxii, p. 707

<sup>7</sup> *HRA*, I, xxii, p. 708

<sup>8</sup> Hodder writes (*op cit.*, pp. 133-8), of Angus's interest in this promotion that in 1837 Philip Oakden, a director of the Tamar Bank, Launceston, Tasmania, went to England hoping to negotiate the sale of the Tamar Bank to an English company, in order to get capital for extended operations. He met Angus, who at first professed exclusive interest in the Bank of South Australia, but who at length succumbed to Oakden's suggestion that he should establish an independent bank in Australia, and accordingly floated the Union Bank of Australia in July 1837, it absorbed the Tamar Bank forthwith. Angus was a director, G. C. Glyn a trustee, and the famous firm of Glyn, Hallifax, Mills & Co., the Union Bank's London bankers. The first general meeting of Union Bank proprietors was held on 26 June 1839, and by the end of 1838 the Bank had assets to £150,000. Its 1838 net profit was £4,711 17s., its 1839 net profit £44,404. 9s. 6d. Angus withdrew his investment in December 1841.

competitor of the Bank of Australasia, opened branches in Melbourne, Hobart and Launceston; its promotion was the work of George Fife Angas, the capitalist from Newcastle-upon-Tyne whose activities typify with great precision the basic Anglo-Australian connection at this dawn of interest in the colonies on the part of large English private capital, banking capital in particular. For a considerable period up to 1833 Angas had been head of a London shipowning and mercantile house. At forty-four years of age he retired to Devonshire, but when, within two years, Wakefield's work brought about the establishment of a South Australian Commission, Angas was named a member (*vide* Chapter I, iv), and it was his command of capital which a few months later instituted the South Australian Company and made this colonization scheme practicable. He did not go to South Australia until early 1851, by which time his colony was a going concern, but years before, he had engineered another channel along which capital flowed from England to Australia, by finding '£859 2s. for the outlay on the Union Bank of Australia during the first six months, including the passage money for the clerks'.<sup>9</sup> Moreover, in the very year of his original retirement (1833), he had founded the great National Provincial Bank in England. This man, having connections with the Rothschilds,<sup>10</sup> participated directly or indirectly in the moving of British capital and capital goods to foreign states and the colonies, in the period of expansion, and as well, contributed much to the reorganization of English finance to meet the requirements of the expansion of British overseas trade which the achievements of the industrial revolution had made possible. Angas was subsequently a figure in colonial politics, the financier of a German immigration into Australia,<sup>11</sup> through the Union Bank a financier of the pastoral extension in the eastern colonies. He died in Adelaide in 1879 at ninety years of age, after nearly half a century's life as the very form and pattern of the essential English interest in the imperial movement of the constructive era of capitalism in the nineteenth century.

9 *Money Powers of Europe in the 19th and 20th Centuries*, by Paul H. Emden, p. 66. London, Sampson, Low, Marston, 1937.

10. *ibid.* For Angas, as typifying the contemporary impulse of English capital towards the Australian colonies, *vide* Hodder's *George Fife Angas*, Chapter IV (his work in founding the National Provincial Bank of England in 1833), Chapter V (his negotiations with the Bank of Australasia, and the founding of the Bank of South Australia, in 1836, and the Union Bank of Australasia in 1837), Chapter VII (his promotion of German emigration to South Australia from 1838), and Chapter VIII (his interest in New Zealand colonization).

11. It appears that after the Union of the Reformed and Lutheran Churches in Germany in 1817, difficulties arose in regard to Baptism, and the Lord's Supper. 'The Reformed Church, moreover, held the doctrine of Reprobation, while the Lutherans rejected it entirely, although acknowledging the doctrine of Election' (Hodder, *op. cit.* p. 158). King Frederick William III in vain poured the oil of his 1822 and 1829 liturgies on the troubled waters of the faith, and went so far as to defrock pastors who refused to use his second liturgy. More than 500 of the persecuted communicants were conveyed to South Australia in 1838, at Angas's instance, and 8 000 emigrated thither in 'several years' after (*ibid.*, p. 192). They established themselves at Angaston, Blumberg, Grunthal, Hahndorf, and other South Australian settlements.

The pastoral out-thrust west, south and north through New South Wales had been commenced even before the Forbes Act which cleared the way for the banks to come into being as financiers of the great migratory movement into the pastures from 1834. This extension of settlement was made in defiance of the imperial policy as administered by the governors, who were expected to keep down establishment costs by *concentrating* settlement. Delimitation of the 'boundaries of location,' i.e., the limits of the area officially available for selection of land for grant or purchase under the 1824 tender scheme, had been commenced by the publication of a Government Order in September 1826.<sup>12</sup> This Order prescribed narrow frontiers for New South Wales settlement,<sup>13</sup> and a second Order of October 1829<sup>14</sup> proclaimed nineteen counties of New South Wales, whose boundaries should mark the limits of location. The 'twentieth county' received official recognition in July 1830,<sup>15</sup> when the lands about Port Macquarie to the north of Sydney (and formerly a penal settlement for New South Wales offenders) were thrown open to location. After the proclamation of Port Macquarie, from time to time various areas were declared open—because graziers had already settled—but in none of these cases was land thrown open to *invite* settlement. Examples are the declaration of the counties of Bourke and Grant by Port Phillip Bay in 1836, and the throwing open to location of Moreton Bay (1842), afterwards the county of Stanley, in Queensland. These and other areas were proclaimed after squatters had sat down there, having driven their flocks and herds from the 'settled districts' within the official frontiers, which enclosed 22 million acres. It was 1847 before final official approval was given the pastoral occupation of wider lands beyond the boundaries.

However, long before 1847 the governors had had to recognize the series of *faits accomplis* and regulate the process of expansion which the 1829 proclamation had forbidden. Not that the movement on to the pastures and the movement beyond the limits of location were co-extensive. On the contrary a great proportion of the capital which flooded in from 1834 was borrowed so that pastoralists or speculators could buy land *within* the boundaries, offered at auction by the Crown. After all, only four million acres had been alienated before the auction of land at an upset price of 5s. an acre was commenced under the regulations of August 1831, and a substantial

12 *Sydney Gazette*, 6 September 1826.

13 The limits of location as defined by it ran from Cape Hawke (midway between Port Hunter and Port Macquarie) west to Wellington Valley in the mountains, the site of the clearing house for 'gentleman convicts,' then along the Macquarie River to the 33rd degree of south latitude, to 148 deg. E longitude, to the Lachlan River, east to Campbell's Creek and to Bateman's Bay at Moruya.

14 *Sydney Gazette*, 17 October 1829.

15 *ibid.*, 31 July 1830.

part of the 18 million acres of the twenty counties' still unalienated was good land. A brisk demand for pieces of this land was the chief constituent of new business in 1835-6, the sum of more than £200,000 which was paid for Crown lands in those two years was devoted to purchase *within* the boundaries of 1829-30, and indeed, between 1832 and 1837 more than a million acres within the boundaries was sold, for more than £360,000. That there had been much pastoral settlement within the boundaries, on freehold alienated by the Crown, is indicated by the presence there in 1843 of one third of the colonial flocks, which aggregated five million head of sheep.<sup>16</sup> (At that time Port Phillip had not so many, while the other districts outside the old limits had few more.) But the banks and the freehold pastoralists alike encouraged the movement of flocks beyond the boundaries. An embryo flockmaster might not have much difficulty in getting a start by placing his few sheep 'on thirds,' i.e., getting pasture in return for a third of the flock and the increase, with a large owner, and, a contemporary squatter records, 'any man that has £1,000 in one of the Sydney banks will readily get credit for £3,000 worth of stock, and . . . may get his stock on terms by which he readily clears the purchase money as it becomes due.'<sup>17</sup> So in these days of easy bank credit, high wool prices and a rising demand, the man of small capital (and none to spare to buy freehold) went further out. Likewise graziers who had well established freehold stations found it abundantly worth while to send flocks far beyond their accustomed pastures, to graze on good free land or to be sold at high prices to persons in the settlements that in 1834-6 were made at Melbourne, Geelong, Portland, in the Port Phillip area, and at Adelaide in South Australia. Legislation tried to tread on their hurrying heels.

The Act of Council 4 Wm IV, No 10, passed in August 1833, was the first to recognize squatting outside the 1829-30 limits. The governor wrote to Whitehall, in reporting the passage of the act, 'I do not propose, nor could I recommend it as a means of sound policy, to seclude settlers from the temporary occupation without payment of those tracts of country in the remote interior which are already so occupied as stock stations.'<sup>18</sup> This act ruled that Crown Lands Commissioners might be appointed to regulate squatting.

16 A New South Wales Return of 30 September 1843 gives the sheep statistics. There were 1 596m sheep in the twenty counties 1 8m in eleven Crown Lands Commissioners districts from Moreton Bay and Darling Downs in Queensland to Maneroo and Murrumbidgee in southern New South Wales and northern Port Phillip and 1 4m in Port Phillip including 1 2m outside the boundaries i.e. outside the counties of Bourke Grant and Normanby. Figures for land sales etc. are in *Statistical Returns 1822-42* in New South Wales V & P 1843 and other Blue Books.

17 *Settlers and Convicts*, by an Emigrant Mechanic (Alexander Harris) p. 282 London, Cox, 1847.

18 Bourke to Stanley 26 November 1833, *H.R.A.*, 1, xvii, p. 271.

Next year the Act 5 Wm IV, No 12, continued the 1833 measure, and in July 1836, the Act 7 Wm IV, No 4, required pastoralists squatting outside the boundaries to take out grazing licences at £10 a year. This licensing system, which with modifications was used until and even after a lease system was instituted in 1847, lent itself to remarkable abuses. For example, James Walker, of Wallerawang, in New South Wales, held twenty seven stations, totalling, according to the Crown Lands Commissioner, five million acres (or an area equal to about one third of Tasmania) by virtue of a single licence of £10 a year.<sup>19</sup> The 1836 act was continued in October 1838, by the Act 2 Vict, No 19, and no significant move to enrol the squatters as such in the New South Wales taxpaying community was made until, in March 1839, a border police under the Crown Lands Commissioners was authorized to be formed by the Act 2 Vict, No 27, and a poll tax on stock of all kinds was authorized to meet the police cost. Assessments under the 1839 act ranged from £5,192 in the second half of that year to £6,978 in the second half of 1843.

What was the personnel of the outward movement which private enterprise had originated and government regulated? In the second half of 1840, closing the period under review here there were nearly 5,000 free persons on 718 pastoral stations 'outside,' and nearly 3,000 assigned servants. By 1841 one in five New South Wales males was 'outside'.<sup>20</sup>

### (b) Van Diemen's Land

Factors similar to those which promoted the expansion of New South Wales operated earlier in the lesser colony of Van Diemen's Land or Tasmania, with the consequence that in the middle 'thirties the most important chapter of contemporary Australian economic history was commenced not in New South Wales but in Van Diemen's Land. This was the pastoral occupation of the Port Phillip hinterland or Victoria. What was the comparative position of the two colonies? New South Wales at the beginning of the 1830's had twice the population of Van Diemen's Land, thrice at the end, in 1831 twice the wool for export, in 1840 two and a half times as much, at both dates about the same area of land in cultivation, in 1831 rather less, in 1840 rather more than twice the total trade of Van Diemen's Land. Overseas capital showed far more

<sup>19</sup> *vide* Gipps to Stanley 1 January 1844 (*HRA* 1 xxiii p 603) for this instance and others of a remarkable kind probably much of Walker's holding was barren or mountain land. Regulations were made under the 1836 act on 1 October 1836 and on 14 January 1837 137 licences had been taken out under it (*Sydney Gazette* 2 October 1836 14 January 1837) and 393 by the beginning of 1839 (*ibid* 23 January 1839).

<sup>20</sup> According to John Metcalfe 18 per cent—in his *MS account of Bourke's administration*. Poll tax assessments are given in *NSW V & P* 1843.

interest in New South Wales than in Van Diemen's Land, in the 'thirties, as is suggested by the facts that goods imported into New South Wales in 1831-40 exceeded Van Diemen's Land imports in value by £7-6m., and that New South Wales Crown land sales brought in £800,000 more. But nearly a quarter of New South Wales land sale receipts for the period (£1m.) was from Port Phillip land bought during the single year, 1840. Port Phillip, which lay within the government of New South Wales, was the scene *par excellence* of the pastoral expansion from both Van Diemen's Land and the old settled districts of New South Wales. But why were Tasmanian graziers quicker than New South Wales graziers to exploit Port Phillip? The fact is that for a while in the late 'twenties and early 'thirties, Van Diemen's Land experienced boom conditions such as were not evident in New South Wales. In 1828 the numbers of sheep in the two colonies were about equal at more than half a million, though the value of New South Wales wool exports (£40,851) was nearly double that of Van Diemen's Land (£22,072) where the proportion of merinos was lower and that of sheep bred for slaughter was higher.<sup>21</sup> But the total value of goods exported from New South Wales in that year was a few hundred pounds below the Van Diemen's Land figure. The reason was that in 1828 New South Wales felt the pinch of a second and a third bad season; it imported, chiefly from the other colony, breadstuffs to a greater value than its own wool export, or to a value equal to 57 per cent of the total value of Van Diemen's Land exports. The need of New South Wales was the opportunity of Van Diemen's Land, and between 1828 and 1834, when New South Wales imported £190,000 worth of breadstuffs, the cultivated area of the supplier, Van Diemen's Land, was more than doubled. The tardy agriculture of New South Wales, together with the liability of the country to drought, was a condition of the comparative (but short-lived) prosperity of the other colony in 1828-31. While the flocks multiplied and increasing numbers were bred for wool, while the whale fisheries returned year by year an increasing income, while the mainland needed surplus island wheat and other cereals, and while the system of land grants was maintained, Van Diemen's Land prospered. Agencies for financing increased productive and commercial activity began to be set up when the Derwent Bank was opened at Hobart Town at the beginning of 1828. The Van Diemen's Land Bank was organized as a joint-stock company, the Cornwall Bank was started at Launceston. Busy trading took place in wool, oil and banking investments, and just as in New South

21. Tasmanian Blue Book 1865 (Statistical Summary), and N.S.W. V & P. 1843, Return of 1 June 1843.

Wales a few years later the Forbes Act offered inducements to capital, in 1830 Sir George Arthur's Council in Van Diemen's Land passed a Usury Act (11 Geo. IV, No. 3) to except the colony from the old English law which limited interest rates in general to 5 per cent. 'No sooner,' a contemporary editor wrote, '... had the new colonial law been passed, than persons connected with the Derwent banking establishment, and also private individuals, communicated with their friends in different parts of the world, explaining that a higher legal rate of interest could be obtained in Van Diemen's Land than in any other British colony. Capital soon poured in from all parts.'<sup>22</sup> So Van Diemen's Land raced ahead while drought-stricken New South Wales was as yet in no condition to woo capital support for its single export industry; Van Diemen's Land and not New South Wales held out an effective magnet to money, and Van Diemen's Land imports in 1831-3, after the Usury Act, increased three times as much as exports did, both as compared with 1828-30, before the Usury Act; in a similar comparison in New South Wales, the increase in imports was less than one-third of the increase of exports.

Contemporary writers mention India as a source of much capital imported into Van Diemen's Land after the 1830 act. Whatever the sources, the fresh capital was applied in the usual way: several banks, on a scale appropriate to the supposed needs of a little community of from 24,000 (1830) to 40,000 people (1834), discounted bills at 10 per cent interest, as immigration rapidly swelled the population, while money-lending syndicates and individuals, feeding the pastures, fisheries and farms, lent at much higher rates.<sup>23</sup> Grazing benefited greatly from the application of plentiful if dear money, and the value of the wool export of 1832 or 1833 was about 80 per cent above that of the good clip of 1829. But the boom could not be long-lived, for the conditions to sustain it were temporary to a high degree; drought would not persist in New South Wales, to wither the harvest and reduce competition on the London wool market, coastal whaling soon exhausts its sources of supply—and above all, Van Diemen's Land, having nothing like the economic potentialities of New South Wales, had to continue to offer free land and free labour, in order to maintain the eagerness of borrowers. Stock minding, and clearing for cultivation, must generally be expensive in a thickly wooded country much of which is mountainous, and investors must be compensated by the bonus

<sup>22</sup> *The History of Van Diemen's Land 1824-35*, by Henry Melville, p. 90, London, Smith & Elder, 1835.

<sup>23</sup> *ibid.*, at *vide The Condition and Capabilities of Van Diemen's Land*, etc., by John Dixon, pp. 67, 68; London, Smith & Elder, 1839; copy in *Tas History Pamphlets*, vol. 1, in the Public Library of Victoria

of convicts and grants. So Goderich's regulations of 1831, putting an end to the system of free grants of land in the colonies, put an end to the island boom. Although Sir George Arthur the Lieutenant-Governor 'manfully employed the last hours of patronage'<sup>24</sup> by granting land to the extent of perhaps 200,000 acres, additional to well over a million acres which he had granted since 1824, the effect of the new imperial regulations was to remove Van Diemen's Land, for the time, from any list of favourable fields for new agricultural and pastoral enterprise. The small capitalists of the colony itself looked beyond their own shores for profit, after the effects contingent on the change of land policy were felt. And across Bass Strait, which divides Tasmania from the Australian mainland, there was, as Tasmanian sealers and whalers had long known, unoccupied land, in the jurisdiction of New South Wales, which promised to repay investigation. Port Phillip settlement from Van Diemen's Land, the advertisement of Port Phillip possibilities and the consequent extension of the New South Wales pastoral march to Bass Strait from the Riverina, resulted in the middle 'thirties from these several changes of balance of the Tasmanian economy.

#### ii. *The Pastoral Extension*

About one hundred thousand white people lived in the three Australian colonies, New South Wales (settled 1788), Van Diemen's Land (1803) and Western Australia (1829), when in 1834 a squatting movement gathered pace in the south-east of the continent. One-third of this population consisted of transported convicts who were serving their sentences, for the most part, by assigned service to settlers, free and freed. Nearly half of the Australian population lived in Sydney, Hobart, Launceston and the neighbouring districts, and about one-fifth of the whole were Australian born. Their governments' provision of amenities was not great, for there was no revenue for the public service other than Customs collections and a small annual total of land alienation and other fees. So Sydney had to be content with a water supply from the Tank Stream flowing through the town and from wells, Hobart Town with a supply from the Hobart Town Rivulet and wells. Only in the middle 'thirties were improvements made by which (1835) the inhabitants of Hobart were supplied from pumps and wells connected with a pipe line from the foot of Mount Wellington and (1837) the inhabitants of Sydney from a pipe line from a swamp nearby. But the access after 1834 of private capital

24. *The History of Tasmania*, by John West, 1, p. 147, Launceston, Dowling, 1852. West says that Arthur granted about 250,000 acres, most of it as extensions of existing grants. In *Labour and Industry in Australia*, 1, p. 237, T. A. Coghlan writes that V.D.L. land grants to 1831 totalled 1,493,469 acres.

for investment involved not only the extension of settlement, but also the rapid multiplication of amenities within the old urban centres. The formation of banks, from 1835, was accompanied by the registration of many joint-stock companies some of whose titles sufficiently indicate the advent of nineteenth-century civilization to Australia—for instance the Australian Gas Light Company (1837), the General Steam Navigation and Hunter River Steam Navigation Companies, the Alliance, Melbourne, and Union Assurance Companies.<sup>25</sup> The formation of such public utility companies, like the formation of banks or the tendency of woolgrowers to graze their flocks beyond the *bloc* of grants, was not a novelty of this particular period,<sup>26</sup> but at this time each development proceeded at an accelerated pace, to the effect of altering the balances of Australian society. John Dunmoie Lang, a leader of many colonial activities, gives us in a few pages of his *Account* published in 1834 pictures of the social development to that date. He relates that the two little trading banks, the New South Wales and the Australia, both colonial affairs, gave no interest on deposits and charged 10 per cent interest on three-months' bills; the Savings Bank, lending for six months at 10 per cent, gave 5 per cent interest on deposits below £100; a Marine Insurance Company lent at a similar rate, and private lenders charged up to 20 per cent for the same period. Typical rents were 5s. to 7s. 6d. a week for a workman's cottage and £100 a year for a modest gentleman's home. There was a theatre in Sydney, the Theatre Royal, and 'a colonial taste for horse racing, cricketing and regattas' was already to be observed. A four-mile afternoon drive to Bellevue Hill—'before dinner in *haut ton* circles, but some time after it among people of inferior station'—was a characteristic daily diversion. Each day, three coaches ran to Parramatta, fourteen miles from Sydney, and the Steam Conveyance Company ran a steamboat on the Parramatta River, the Legislative Council having made an appropriation in 1833 for the purpose of making a landing place near the old Parramatta settlement which Captain Phillip had established.

But after 1834 this small colonial town of much less than 20,000 population was the centre of a disturbance which affected remote parts of the earth to an extent greater, perhaps, than had any Australian event since the Deluge. (On the latter head Dr. Lang wrote, 'Professor Blumenbach, of the University of Gottingen, has

25. *vide* Callaghan's ed., *Acts and Ordinances of NSW*, i, pp. 117 *et seq.*, for New South Wales company legislation of the period, including a number of acts relating to individual concerns. H. S. Russell mentions in his *The Genesis of Queensland*, p. 60, that the first gas light used in Sydney appeared on 25 July 1828, in the shop of one Woods.

26. In illustration, *vide Australian Quarterly*, June 1939, p. 111, where Mr S. J. Butlin, in a passage critical of a reference in the present writer's *British Imperialism and Australia*, notes that the Waterloo Company, Sydney, was not, in the 1820's, exceptional in competing with the banks, 'discounting . . . was every merchant's sideline.'

somewhere given it as his opinion that the vast continental island of New Holland was originally a comet, which, happening to fall within the limits of the earth's attraction, lighted at length upon its surface. So tremendous a concussion as this would infallibly have produced, would doubtless have been sufficient to have occasioned the waters of Noah. . . .')<sup>27</sup> The modern disturbance was of course the squatting movement. The nature of it may be best understood by note of some typical proceedings of some of the diverse individuals who took part in it.

Men of small capital and men of large (though these usually marched by proxy) participated in 'droving' flocks and herds beyond the limits of location and establishing them in 'stations' on the Crown land outside. One of those who started with £500 was W. A. Brodribb, afterwards a member of each House of the Parliament of New South Wales. He was in Van Diemen's Land from 1818 to 1834. In 1834, when, as described in the previous section, that colony was offering few opportunities to men of his class, he left for Sydney. In mid-1835 he went south to the limestone plains near the Molonglo River (in the neighbourhood of the modern Australian capital, Canberra). Here, there were already many out-stations which had been formed for 'gentlemen residing near Sydney on their granted or purchased property, within the nineteen counties.'<sup>28</sup> Brodribb's partners in the squatting venture on which he was now engaged had spent most of their £2,000 capital on 3,000 ewes at 12s. each, so, while he prospected for good pasture which no earlier squatter should have claimed for his 'run,' they put out the partnership's flocks at 'thirds' with two graziers who had land within the limits of location. The consideration was as customary—in return for grazing, shepherding, folding, washing and shearing the sheep, and marketing their wool, the two graziers 'inside' should take a third of the clip and, when the lambs were divided at weaning time in February-March, a third of the increase. In the meantime Brodribb selected for the partnership a station on the site of modern Gundagai, on the Murrumbidgee River about 200 miles from Sydney. Here, in three months of 1836-7, he saw more than 100,000 sheep cross the river, *en route* for 'the new country,' Port Phillip, which had been invaded by Van Diemen's Land pastoralists from 1835 and was the terminus of a pastoral migration from New South Wales from 1836.

Brodribb's story from this point will be clearer in its implications if that of another is inserted. In 1833 Captain John Hepburn, a master mariner, had carried from Van Diemen's Land to Sydney

27. J. D. Lang, *op cit*, 1834 ed., II, pp 171, 196, 227, 275-89, etc

28. *Recollections of an Australian Squatter*, by W. A. Brodribb, F.R.G.S., M.L.C., p. 6 (*passim* for his story). Sydney, Woods, 1883.

John Gardiner, who after many years in the other colony was going to New South Wales to squat. Hepburn at first joined in the expansive movement by accepting the command of the steamboat *Ceres*, trading between Sydney and the coal port of Newcastle on the Hunter River, but in 1836 he decided to join Gardiner and Joseph Hawdon in 'a Port Phillip speculation.'<sup>29</sup> They met at Howe's farm on the Murrumbidgee, not far from Brodribb's station, in October, and, making down the river past Guy's cattle station ('then the farthest down, and of course the outside squatter'), commenced the first journey overland with cattle and sheep for Port Phillip. Drowing to the River Murray took them a fortnight, they swam the cattle across and followed 'the Major's track for the whole of the next three weeks.' ('The Major,' Major Thomas Livingston Mitchell, Surveyor-General of New South Wales since 1828, had left Orange on 17 March 1836, for the Murray, Avoca, Avon and Wimmera Rivers, had found the Henty family settled at Portland Bay, and, in September, had seen from Mount Macedon the tents of the earliest settlers by Port Phillip Bay, where John Batman, J. P. Fawkner and others had landed stock in 1835 and the early months of 1836. Hepburn's party met Stapylton, who had charge of a section of Mitchell's party on the return journey, on the Murrumbidgee.) Hepburn, Hawdon and Gardiner, with their herds, crossed the Dividing Range, from afar off saw a ship at anchor in Port Phillip Bay, and rode down to Melbourne, a tiny settlement of a few rude huts and tents. A little later they forded the River Yarra at Dight's Falls and established a station on the south side of the river. There were no more than 4,000 sheep (from Van Diemen's Land) at Port Phillip then, and the squatters' drive on to the Western District pastures had scarcely begun. A physician-pastoralist who had shipped the first cattle from Van Diemen's Land to Port Phillip, in September 1835, and who next May occupied the site of Geelong as a sheep station, saw the first New South Wales cattle arrive in December.<sup>30</sup> Until late 1837 this man and two others had the whole of the Western District to themselves, except for the coastal holding of the Hentys. The early events of Port Phillip settlement from Van Diemen's Land will be treated presently; first, we return to Brodribb on the Murrumbidgee, watching the flocks of New South Wales stream over the Riverina before the new Shepherd Kings clad in blue shirts, moleskins and cabbage-tree hats.

Hepburn, Hawdon and Gardiner were not long upon their way

<sup>29</sup> John Hepburn to C. J. La Trobe (Lieutenant-Governor of Victoria), 10 Aug. 1853, in *Letters from Victorian Pioneers*, ed. T. F. Bristle, pp. 42 *et seq.*, Melbourne, Govt. Printer, 1898.

<sup>30</sup> A. Thomson to C. J. La Trobe, 20 May 1854, *ibid.*, pp. 250 *et seq.*

before Brodribb followed with the second overland drove of cattle for Port Phillip. He reached Melbourne with his herd on 13 February 1837. When, in turn, his own sheep arrived from the settled districts, and drought came to New South Wales, he moved south to Port Phillip, made a station there, and went in for further overlanding to Adelaide, where South Australian pastoralists were buying New South Wales stock. For in Australia it was not a characteristic peculiar to 'the free labouring population,' that it was 'in a state of constant migration';<sup>31</sup> it applied to most sections of the free population. Alexander Harris, the author of observations upon this subject, had, too, the experience of 'looking for a station.' A thousand pounds was enough to finance squatting, he found. The first step was to travel beyond the limits and select a site, the next to introduce himself to neighbouring squatters and to agree with them to live and let live in the matter of 'gully raking,' i.e., branding stray cleanskins without regard to the probable owner. Next, the squatter, having in the first instance bought sheep and cattle on terms and depastured them within the nineteen counties on thirds, should buy in Sydney a dray and bullock-team, hire labour and buy the necessaries of life. The first construction to be made on the run was hurdles within which to fold the sheep at night, or brush yards, for stock in the bush had to be protected from the wild dogs or dingoes. A shearing shed and wool press, barn and dairy, and huts for living quarters, must be put up afterwards.

In such ways more than 700 men, with 6,000 employees and dependants, and many hundreds of thousands of sheep and cattle, successfully established themselves as squatters in outer New South Wales by 1840. In the conditions, favouring such adventures by small men as well as men of substance, many varieties of men could and did take part in the pastoral migration out of old New South Wales and Van Diemen's Land. 'Many of the squatters are gentlemen,' reported Captain Foster Fyans, an ex-officer who was about Port Phillip, as police magistrate at Geelong, from 1837, and who, with eighteen convict troopers, ex-soldiers, kept order as Crown Lands Commissioner of one of the new districts.<sup>32</sup> 'Many of the squatters are gentlemen, worthy and excellent men, of undoubted character and well connected at home.' Sir George Grey (who half a century later would take the stump for the new-born Labor Party) had made a similar observation: 'The Overlanders are generally descended from good families, have received a liberal education (Etonians and Oxonians are to be found amongst them), and even at their first start in the colonies were possessed of what

31. *Settlers and Convicts*, by an Emigrant Mechanic (Alexander Harris), p. 123, London, Cox, 1847 *ibid.*, pp. 224 *et seq.* for details of entering upon a run.

32. *Letters from Victorian Pioneers*, pp. 114 *et seq.*

is considered an independence.'<sup>33</sup> Such was the calibre of this sort of men that, as Captain Foster Fyans noticed with appreciation, at one centre 'a noble pack of hounds was kept up by gentlemen squatters who met every season, hunting twice and thrice a week . . . I have sat down with thirty gentlemen at Mr. Goldsmith's to an excellent dinner given by that gentleman. . . . We retired to rest on our *shakedown*s on the floor at eleven o'clock; at daybreak the master of the hounds, a squatter, sounded his bugle, . . . and (at) his third bugle, . . . a fine pack of dogs let loose from the kennels appeared, full of life and glee, led away by the well-known master of the hounds, Compton Ferrers, followed by thirty well-mounted gentlemen squatters.' (They hunted dingo.) But there were others than *gentleman* squatters: 'another class of squatters is a kind of shop boys. A plain man can barely approach them'; from their common diet of damper and mutton these made 'no deviation even in Lent.' Again, 'another class consists of old shepherds. . . . I have known many of them to become wealthy,' Captain Foster Fyans records, 'and some who did not forget themselves; but most of them were out of their places, and it would have been better for the community had they remained shepherds rather than become masters.'

In other categories than any of these, it is to be supposed, most of the first Port Phillip squatters are to be placed (excepting Thomas Henty and his sons, who were gentlefolk). Batman and Fawcner were colonials, like Hume, who gave the first favourable account of Port Phillip as a territory for settlement. Some facts about the Port Phillip pioneers are as follows: Hamilton Hume, who with William Hilton Hovell, a master mariner, made the first journey of exploration from New South Wales overland to the Port Phillip coast in 1824, was born at Parramatta in 1797, three years before his schoolmate, John Batman, a native of the same place. Batman settled in Van Diemen's Land in 1821, and as early as 1827 sought permission of the governor of New South Wales (Darling) to buy land at Westernport.<sup>34</sup> John Pascoe Fawcner, born in England in 1792, travelled with his convict father in *H.M.S. Calcutta* in 1803-4, when Lieutenant-Colonel Collins failed to make a Crown settlement at Port Phillip. Fawcner the younger became a journalist, publican and storekeeper in Van Diemen's Land, whither Collins had removed his party. James, Stephen and John Henty, the sons of Thomas Henty, a Sussex banker and breeder

<sup>33</sup> *op. cit.* (*Journals 1837-9*) II, p. 184

<sup>34</sup> A copy of John Batman's *Journal* is in the Public Library of Victoria. The document is printed in *Port Phillip Settlement*, by James Bonwick, London, Sampson, Low, 1883, where is also the story of Batman's and J. T. Gellibrand's application for land in 1827.

of merino sheep, were in Western Australia as very young men, in 1830. They went to Van Diemen's Land in 1832, where their father and their brothers Edward and Francis joined them. Thomas Livingston Mitchell had come to Australia from England twenty years before his journey to the Port Phillip coast, to be assistant to John Oxley, then Surveyor-General. These were the people whose accounts of the Port Phillip country, or whose activities there, led to the pastoral occupation of Port Phillip and the main squatting movement of the eighteen-thirties.<sup>35</sup>

### Port Phillip Settlement<sup>36</sup>

Permanent settlement was first made in the territory that is now called the state of Victoria, after Edward Henty and Henry Camfield landed at Portland Bay on 19 November 1834. A month later Francis Henty brought from Van Diemen's Land a hundred sheep, to be the advance guard of a million and a half which were grazing in the Port Phillip district nine years later.

The story of the Henty family is, like that of most founders of Port Phillip pastoral settlement, a story of various attempts at establishment in various parts of the continent, issuing at length in settlement in spite of the Crown. Thomas Henty, as a leading English breeder of merinos, knew something of the progress of woolgrowing in Australia; he had sent merinos to New South Wales. Soon after the preliminaries of Thomas Peel's ultimate settlement<sup>37</sup> at Swan River, Western Australia, were completed, Henty was granted 80,000 acres there; his sons, James, Stephen and John, sailed for the Swan River from England in December 1829, taking stock, including merino sheep. After two years they went on to Van Diemen's Land, where the prospect seemed better; but they arrived, as did their father from England, as Goderich's 1831 regulations

35 For the pre-settlement history of Port Phillip, *vide Historical Records of Port Phillip*, ed. John J. Shillinglaw, Melbourne, Govt. Printer, 1879. This volume contains the *Journal of Exploration of Port Phillip* of Charles Grimes, who conducted a survey in 1802-3, David Collins's 1803-4 Port Phillip order book, and the *Journal* (1803-4) of Robert Knopwood, chaplain attached to Collins's expedition. For the journey of Hume and Hovell, and the abortive convict settlement (late 1826-early 1828) at Westernport, *vide* Chapter 6 (f) in *British Imperialism in Australia*, and references given there.

For some details of 'the route of the pastoralist' in the general migration of the 'thirties, *vide The Pastoral Age in Australasia*, by James Collier, pp. 83-97, London, Whitcombe, Tombs, 1911. Collier believed that 'the humane British Government' instituted convict transportation to Australia in order to reform felons (p. 1), he has an interesting note (p. 37) on the various spelling of the family name of John Macarthur or McArthur.

36 For the Henty establishment at Portland Bay, the Hentys' negotiations with the Colonial and Imperial Governments, and their subsequent history, *vide The Portland Bay Settlement*, by Noel F. Learmonth, pp. 67 *et seq.*, Hist. Cttee. of Portland, 1934.

An admirable account of the first seven or eight years of Victorian settlement after Batman and Fawkner is in *First Years at Port Phillip*, by R. D. Boys, Melbourne, Robertson & Mullens, 1935. This gives succinctly a day-to-day summary of leading events, especially economic, from the advent of the earliest graziers.

37. *vide* Chapter 6 (f) in *British Imperialism and Australia* for the foundation of the Swan River Settlement, and references.

came into force; it was not possible for them to receive a further grant. In February 1834, Thomas Henty was refused permission to buy land at Portland Bay, and in October his son Edward sailed from Van Diemen's Land to settle without title.

While the Hentys' settlement, farming and pastoral, extended and prospered, a group of Van Diemen's Land people, organized as the Port Phillip Association, promoted a project for settling at Port Phillip Bay itself. The plan was to buy land of the Port Phillip natives, and after John Batman's landing from the *Rebecca* on 2 June 1835, he 'bought' about 600,000 acres (6 June) by treaty, which on 26 August Bourke, the governor at Sydney, declared void, squatters outside the limits of location were declared to be trespassers.<sup>38</sup>

But as Bourke recognized, proclamations of this kind were but household brooms, to set against the tide of pastoral landseekers. Batman's Port Phillip Association numbered among its members the sheriff of Hobart, the deputy-sheriff of Launceston, the Van Diemen's Land postmaster-general and collector of customs, and other persons of weight, including Captain Charles Swanston, manager of the Derwent Bank at Hobart. (A branch of the Derwent was opened at Melbourne on 8 February 1838, Melbourne's first banking establishment, the population had yet to reach 2,000.) In fact Van Diemen's Land people were on the move to Port Phillip, as New South Wales people would be soon. John Pascoe Fawkner's party arrived in the *Enterprise* at the Yarra mouth on 20 August, Dr. Alexander Thomson shipped the first cattle to Port Phillip from Van Diemen's Land next month. After that, a steady stream of migrants crossed from Van Diemen's Land (1,664, more than 50 per cent of total arrivals, in 1839). For the news of fertile pastures, open to occupation, though until 1836 not officially, brought fresh life to the depressed island settlers. George Russell, who

38 On 25 June Batman had written to the V.D.L. Lieutenant-Governor, Arthur, reporting his proceedings at Port Phillip (*vide* Bonwick, *op. cit.*, pp. 200 *et seq.*) and asking for official support. Arthur commented favourably but expressed dubiety as to how the Sydney Government would receive the tidings of unauthorized settlement outside its defined limits. At Sydney the Governor, Bourke, issued a Proclamation (*Govt. Gazette*, 2 and 9 Sept. 1835) declaring void all private treaties with aborigines and stating that squatters on Crown lands would be regarded as trespassers. He reported his action to the Secretary of State, Lord Glenelg, on 10 October, expressing at the same time his belief that the prudent course would be to recognize Batman's settlement, mark out a township at Port Phillip, and offer land there for sale. In a despatch of 13 April 1836, Glenelg authorized action accordingly. On 9 Sept. Bourke issued a Govt. Order authorizing Port Phillip settlement and announcing that land would be put up for sale after survey (*Sydney Gazette*, 13 Sept.). The syndicate called the Port Phillip Association consisted of the following (*Boys, op. cit.*, pp. 40-41): Charles Swanston, banker, Hobart. Wm Gardner Sams, Deputy-Sheriff, Launceston. Thomas Bannister, Sheriff, Hobart. John Sinclair, overseer of convicts, Launceston. James Simpson, cmr. Caveat Board, Hobart. Anthony Cottrell, chief district constable, Michael Connolly, merchant, Launceston. Joseph Tice Gellibrand, solicitor, Hobart. John & Wm Robertson, drapers, Hobart. John Thomas Collicott, Postmaster-General, Hobart. Henry Arthur, Collector of Customs, Hobart. John Helder Wedge, Govt. surveyor, Hobart. George Duncan Mercer, major (ret.), Edinburgh.

had sailed from Scotland to join his brother in 1830, the heyday of Van Diemen's Land, left a typical record.<sup>39</sup> 'During the summer of 1835-6 I heard of the discovery of extensive tracts of fine country on the shores of Port Phillip Bay by Messrs. Batman, Fawkner and others. . . . After securing my crop of grain I resolved to pay a visit to Port Phillip. . . . Two gentlemen from India, Mr. George Mackillop and Mr. James Smith, had purchased a flock of sheep from Captain Wood for the purpose of sending them to Port Phillip and forming a sheep station there. . . . It was arranged that I was to join Mr. Smith.' The immediate sequel is equally typical: ' . . . The sheep were all carried on men's backs from the boats to the shore without any difficulty. . . . We pitched our tents on the border of the swamps, made a brush yard for the sheep. . . .' At that time Melbourne was a group of tents and turf and wattle-and-daub huts. Within two and a half years, more than 300,000 sheep were depastured in the Port Phillip country, Port Phillip blocks were selling easily in Sydney (more than £25,000 worth, in 42 blocks, was sold in a day in September 1838); and in 1839 Port Phillip wool exported was already equal to 23 per cent of the value of the whole Van Diemen's Land clip exported. The table below gives Blue Book statistics of the extremely fast growth of Port Phillip settlement.

## ECONOMIC DEVELOPMENT OF PORT PHILLIP, 1837-40

Year	Population	Imports	Exports	No of Sheep	NSW revenue from Port Phillip (excluding land)	NSW revenue from land, Port Phillip	Amount spent on immigration
		£	£		£	£	£
1837	1,264	115,379	12 178		2,350	3,713	
1838		73,230	27,998	310,946	2 826	37,194	844
1839	5,822	204,722	77,684		14,703	59,995	11,824
1840	10,291	435,367	128,860	782,283	36,856	219,128	27,920

Thus six years after the landing of the Hentys' first few cattle and sheep from the *Thistle*, Port Phillip supported three-quarters of a million sheep and had contributed nearly £400,000 to New South Wales revenue; in the last year under review the arrival of 4,000 migrants had raised the population to 10,000, of whom half had come from the British Isles and half from the Australian colonies (their total population being 190,000, including Port

<sup>39</sup> *The Narrative of George Russell*, ed P L. Brown, pp. 75 *et seq.*, Oxford University Press, 1935. This is one of the best presented of the graphic squatting narratives of the period. Other good shorter accounts, by V D L and NSW squatting immigrants to Port Phillip, are collected in *Letters from Victorian Pioneers* ed T F. Bride Melbourne Government Printer, 1898.

Phillip).<sup>40</sup> And by the end of 1840 there were 13m. sheep and 4m. cattle in New South Wales outside the old boundaries of location, besides those which had been overlanded to South Australia.<sup>41</sup> The 1829 boundaries to which government had tried to confine the pastoralists enclosed only 34,505 square miles,<sup>42</sup> the authorities had quickly recognized the effective disruption of their limits of location, and as the squatting drive continued the Sydney government adapted its administrative divisions to the facts of occupation. The first official visitor to Port Phillip was the police magistrate from Goulburn who, on 25 May 1836, posted at Melbourne Bourke's Proclamation of the previous October, characterizing squatters as trespassers. But on 30 September Captain Lonsdale landed in Melbourne as resident magistrate and posted Bourke's order of 9 September authorizing Port Phillip settlement. Bourke himself, with a surveyor, Robert Hoddle, reached the settlement on March 1, and the first Melbourne land sale was held by Hoddle on 1 June 1837, the first survey having been completed between October 1836, and 29 March 1837. Depasturing licences were first issued at Melbourne and Geelong on 1 July 1838, under the act of 1836, 7 Wm. IV, No. 4, £5, not £10, was charged, but the licences were for six, not twelve months. The next step was made on 21 May 1839, when, two months after the Act 2 Vict., No. 27 establishing a border police and imposing a poll tax on squatters' stock, Port Phillip was proclaimed one of the pastoral districts of New South Wales. (The Dividing Range was the northern limit of the Port Phillip District in this form.) This district was divided into two on 1 July 1840, F. A. Powlett to be Crown Lands Commissioner of Portland Bay District and Foster Fyans to be Commissioner of Westernport District. Before the end of the year (on 5 December), regulations were published dividing New South Wales into three districts, the northern or Moreton Bay, middle or Sydney, and southern or Port Phillip. At the same time Port Phillip land, which hitherto had been sold by auction (from the 1831 upset price of 5s. an acre or the 1839 price of 12s.), was declared open for purchase at a fixed uniform price (for country lands) of £1 an acre.<sup>43</sup>

<sup>40</sup> The figs are from BOYS *op. cit.*, and N.S.W. *V & P*, 1843 (Report from the Select Committee on Crown Lands, *Appendix to Minutes of Evidence*).

<sup>41</sup> George Grey records, *op. cit.*, II, pp. 187 *et seq.*, that in fifteen months to the end of March 1840, the value of stock introduced into South Australia was £230,800, including £105,000 for 60,000 head of sheep overlanded, 11,200 head of cattle and 230 horses were overlanded during the period.

Crown Lands Commissioners' Returns (N.S.W. *V & P*, 7 Oct 1843) give the number of stock stations beyond the limits of location as 718 in the second half of 1840, the number of free persons 'outside' 1,444 bond persons 2,624, the number of sheep 1,329,069, cattle 377,172.

<sup>42</sup> *II R A*, I, xvii, note on p. 777.

<sup>43</sup> A map of the pastoral districts of N.S.W., showing the nineteen counties, is in *Australia, Human and Economic*, by Arthur Jose, p. 38, London, Harrap, 1932.

## Moreton Bay

While the pastoral occupation of Port Phillip went on apace, the movement north from the older settled districts was slower and did not extend so far in the 'thirties. The district about the re-transportation centre of Port Macquarie had been opened for settlement in mid-1830, additional to the nineteen counties, and from 1832 land was sold there and settlers took short-term leases for grazing of Crown land adjacent to their holdings. A Port Macquarie landowner gave evidence before the New South Wales Legislative Council immigration committee in 1838, and at the beginning of 1841 two petitions from 'the northern settlers' were lodged at Sydney, one demanding recognition of the pre-emptive right of permissive occupiers (i.e., the right of short-term Crown lessees to first claim to buy the land they occupied), the other praying that the Sydney government 'should not attach us to the old penal colony of New South Wales.'<sup>44</sup> (And there was a contemporary separatist movement at Port Phillip.) But although there had been settlement at Moreton Bay—the Brisbane re-transportation settlement—since 1825, it was not a magnet to attract pastoralists. This is the more remarkable because Allan Cunningham had, as early as 1827, journeyed as far north from Sydney as the Darling Downs, 500 miles away, and reported good country. In the next year he had found a way (Cunningham's Gap) through the ranges between the Darling Downs and Brisbane. But it was not until 1840 that Cunningham's friend, Patrick Leslie, taking a small flock north, settled on the site of Warwick, now in the state of Queensland. Leslie's squatting journey was made not long after the Moreton Bay convict establishment was discontinued (May 1839). In the month after the convict establishment was closed a Crown Lands Commissioner (Henry Oakes) was appointed for the district of Port Macquarie, which was as far north as most squatters had cared to go. Then a three years' drought from 1841, affecting the north, came to deter for the time the effective opening of Queensland pastures.

Apparently Port Phillip offered in the 'thirties adequate inducements to the majority of pastoral migrants, although the north, like the south, had been a prospective scene of grand operations, early in the decade. At the end of 1832 Major Benjamin Sullivan had advertised the prospectus of an Eastern Australian Joint-Stock Company,<sup>45</sup> to be capitalized at £1m. in 20,000 £50 shares, Brisbane

<sup>44</sup> *Sydney Gazette*, 12 Jan. 1841

<sup>45</sup> For an account of Sullivan's proposals, *The Genesis of Queensland*, by H. S. Russell, pp. 67-9, Sydney, Turner & Henderson, 1888

For some account of the delay of pastoral settlement of Queensland, *vide Our First Half Century*, pp. 100 *et seq*; Brisbane, Government Printer, 1909.

was to be the centre of its operations, which would colonize the Queensland interior. But the Secretary of State had 'no intention of forming any settlement in that quarter.' However, by 1843 there were eleven Crown Lands Commissioners' districts outside the old limits of location but inside the new, stretching from Moreton Bay in the north to Maneroo in the south. These (excluding Port Phillip, where 1,404,333 sheep grazed, and Sydney district, 1,596,417 sheep) gave grazing for 1,804,096 sheep. The flocks of Australia had been immensely increased during the last twelve years, and by 1841 the Land and Emigration Commissioners in England, quite reconciled to the 'dispersion of settlement,' were adumbrating, 'The woolgrowers of Australia, depasturing their flocks on licence, are a body of vital importance, whose pursuits should be exposed to no needless interruptions and uncertainties.'<sup>46</sup> Settlement about Twofold Bay on the south coast of New South Wales, and in Gippsland, had been made successfully before this.<sup>47</sup>

### South Australia

The overlanders who had quickly augmented the flocks and herds at Port Phillip from late 1836, lost little time in taking advantage of a rising South Australian demand for stock. Joseph Hawdon, who with Hepburn and Gardiner had overlanded the first herd to Melbourne in October-December 1836, drove a herd from Goulburn to Adelaide in February-April 1838, and Charles Bonney, who had overlanded (for C. H. Ebdon, 10,000 sheep) the first flocks to Port Phillip in March 1837, established in 1839

<sup>46</sup> Land and Emigration Commissioners to James Stephen 17 July 1841 *HRA*, I, xxi, p. 563. Note that S. H. Roberts (in his Chapter vii in *The Cambridge History of the British Empire*, vol. vii part 1, p. 189) shows no knowledge of the Commission: his references to a Board of theorists who preserved 'the infallible sagacity of the pure Wakefield sect' are quite *mal à propos*, though they might apply to the defunct South Australian Commission. Roberts's account of the period is erroneous. He writes 'In 1839 . . . Glenelg raised the upset price of colonial land to 12s an acre, although New South Wales was stricken by a drought and a financial crisis due to the pricking of the bubble of speculation in land values. Each of the Australian colonies was in a similar plight either owing to inordinate speculation or to economic stagnation . . . The facts are that 95 per cent of the land sold in 1839 was disposed of from the old upset price of 5s (NSW Statistical Returns 1822-42) that Glenelg knew nothing of the drought and could not have known of a crisis which would not take place for some years, that the 'bubble of speculation' was not pricked in 1839, but actually reached its greatest distension in 1839-40 and that New South Wales, Van Diemen's Land and South Australia were all experiencing boom conditions in 1839, when 210,000 acres of Crown Land was auctioned in New South Wales and both wool and total exports were higher than in any previous year, when Tasmanian exports were 50 per cent higher in value than the total of any previous year, and when South Australia reached the top of its boom.'

<sup>47</sup> James Atkinson's proposal to settle immigrants at Twofold Bay was rejected on the ground of the public policy of restricting settlement (Aberdeen to Bourke, 25 December 1834 *HRA*, I, xvii), but many stock stations, and then whaling and boiling down concerns were established in the next few years. Gippsland was the scene of pastoral exploitation after Angus McMillan made a cattle station for the NSW grazier, Lachlan Macalister in 1839, he reported earlier settlers (*Letters from Victorian Pioneers*, pp. 254 *et seq.*). Count Paul Edmund de Strzelecki, with James Macarthur and others explored Gippsland from the north in early 1840 (vide also *The Land of the Lyre Bird*, by various authors, map of early Gippsland runs opposite p. 29, Melbourne, Gordon & Gotch, 1920).

a stock route, running nearly parallel with the coast, between Melbourne and Adelaide. W. A. Brodribb, too, started cattle to Adelaide from Melbourne in 1840, having heard that prices were high there (in March cattle sold at about £10 a head, fat wethers at 35s.). But news of a commercial crisis came from Adelaide, and Brodribb recalled his herd from the road.

What had happened was that the Colonial Land and Emigration Commissioners (the board which had succeeded the South Australian Commissioners in 1838) had had to cut off the capital supplies by which a large emigration had been financed from receipts from speculative buying of South Australian land. After the commercial crisis of 1839 in England, speculators found themselves in 'a state of great suffering,'<sup>48</sup> with the sequel, *inter alia*, that they turned away from the South Australian land market. This in turn brought emigration to South Australia to a stop (late 1840) and placed on the Commissioners in London a necessity of dishonouring the Governor's bills on them. This was a severe blow, for with supplies from outside cut off the South Australian settlers were in no condition to fend for themselves. So little farming had been undertaken that the area under crop worked out at no more than an acre per five persons, three-fifths of the population being in Adelaide. Even New South Wales, which had concentrated on pastoral activity for years past and sent its thousands to the outer reaches, averaged an acre under crop per head of population, and its 7,000 people 'outside' (but in New South Wales proper) had nearly 10,000 acres in cultivation. The position in South Australia then was serious. When Sir George Grey arrived in May 1841, to succeed Gawler, he found that there would be a revenue deficit of £18,000 for the quarter ending June, and a heavier deficit in the next quarter. He had 'no funds to meet these deficiencies,' now that the sale of land had ceased. The measures he took in the emergency were to reduce the public service, draw bills on New South Wales, and issue rations and a dole to the destitute. But the Secretary of State refused to allow him to embark upon a public works programme, and recommended that unassimilated immigrants be given free passages to one or other of the eastern colonies, after that, it would be 'desirable to announce that the public obligation which is supposed to exist in South Australia to find employment for the destitute (had) entirely ceased.'<sup>49</sup> However, the colonists turned to, and, increasing their acreage in cultivation from 2,503

48. An English merchant's letter, *cit Sydney Gazette*, 5 Jan 1841.

49. The correspondence between the Secretary of State and the Governors of South Australia and New South Wales is Russell to Gipps, 30 Dec. 1840, Grey to Gipps, 28 June 1841, Grey to Gipps, 12 July 1841, Stanley to Gipps, 5 Jan 1842, Stanley to Gipps, 2 Aug 1842, Stanley to Grey, 2 Aug 1842 (*H R A.*, 1, xxi, xxii). Lord Stanley's comment quoted is in the despatch last mentioned.

acres in 1840 to 28,690 in 1843, laid the foundations of an agriculture which was to stand them in good stead when, in the 'fifties, the access of population to the east after the gold discoveries created a demand for breadstuffs which the pastoral colonies were in no position to satisfy.

### Climax of the Land Boom in New South Wales

The imperial authorities, reluctant though they might be to redress the financial difficulties into which the two<sup>50</sup> Wakefield colonies fell in 1840-41, were given much more worry by the New South Wales community, which was engaged in forcing the Crown to extend settlement. Certainly the introduction of private capital brought about a considerable increase of colonial revenue by sending up customs collections and land sale receipts. But the colonists demanded the appropriation of most of this to their own purposes, including the immigration of a labour force, and the Crown had to find funds to meet the increase of administrative costs consequent upon the establishment of new centres of settlement hundreds of miles distant from Sydney. And the extension of settlement created difficulties in connection with convict transportation. It was very well, from the British point of view, that the increase of economic activity increased the demand for labour, incidentally for convict labour, but the logic of the colonial development would require the early cessation of convictism (*vide* iii), and in the meantime it was not easy to administer convict assignment to the scattered runs. (New South Wales rather than Van Diemen's Land had to be the chief convict clearing house, and more than three-quarters of the total number transported to Australia in the 'thirties to 1837 were sent to Sydney.) It is not hard to understand why, in these circumstances, Whitehall and its representatives took a view of the squatting dispersion which was quite different from that of the merchants and landowners who made up the Legislative Council in Sydney. Probably the determination of the imperial authorities to make the colonies and their capitalist backers pay for their own experiments can be made to explain much of Whitehall's vacillating colonial land policy in the four years 1839-42.

<sup>50</sup> Gipps had to cover New Zealand as well as South Australian Government bills (*HRA*, I, xxii, pp 231 *et seq.*). He took up a bill of Captain Hobson, the N.Z. Resident, which the Bank of Australasia had dishonoured, appropriating £5,000 from the Military Chest for the purpose. 'The New Zealand Bank was in a bad condition by 1843, 'a frightful amount of overdue paper,' equaling the whole paid-up capital of the Bank (£8,728), being recorded in the returns for the Kororareka branch, established in 1839-40 (*Banking in New Zealand*, by B. A. Moore and J. S. Barton, Chapter I, Wellington, N.Z. Bank Officers' Guild, 1936). The N.Z. Banking Company was wound up in 1845, and a Colonial Bank of Issue (1850) was next in the field.

Capital, however, seemed unlikely to be found wanting. Land sale receipts in the four years before 1839 were £81,000, £126,000, £120,000 and £116,000. This was under the 1831 upset price of 5s. per acre. The Secretary of State now raised the upset price to 12s. (8s. less than the amount recommended by the 1837-38 committee on transportation) and the new rate became effective in 1840. In 1841 Gipps's regulations of December 1840, issued after instructions from home, imposed a fixed price of £1 per acre on all Port Phillip country lands, while the auction system continued to be the rule in New South Wales proper. In 1842 the auction system was reverted to for all lands, but receipts in 1842 were down to the lowest level since 1832, and they did not exceed the 1833 level until 1849 or the 1840 level until 1854. The following table from the Blue Books shows the shifts of official policy as the New South Wales land boom approached and receded from its maximum

LAND SALE RECEIPTS IN NEW SOUTH WALES, 1838-42

Year	Value of all sales	Value of Port Phillip sales	Conditions of sale
	£	£	
1838	116,325	37,195	Auction, 5s per acre upset price
1839 .	152,963	59,995	Auction, 5% sold from 12s upset price
1840 .	316,626	217,128	Auction, 12s upset price
1841	90,388	71,152	79% (Port Phillip land) at £1 fixed price
1842 .	14,575	2,730	Auction, 12s upset
Total .	690,877	388,200	

It would seem that in 1840, when the boom was still well maintained, the effect of the imperial measure of 1839 was to give the colonial government an increased land revenue. This, largely applied to financing immigration, shows in the arrival in 1841 of nearly as many immigrants as had come in the two years 1839 and 1840. But it was the colonial demand for land, rather than Lord Glenelg's measure, that brought in the extra revenue. The range of prices realized shows this. The average price per acre paid for more than a million acres of Crown (country) land sold in the three and a half years ended 30 June 1840, was 9s. 10d.; but as the boom approached its climax (and before the 12s. upset came into operation), the average price paid rose almost to 12s.—it was 8s. 5d. in 1839, 11s. 10d. in 1840—from the 5s. upset price.<sup>51</sup>

51. NSW. V. & P., 1838, 1840, figures from the Reports of the immigration committees of those years.

## Wool Marketing

It was not until 1833 that the value of wool exported from New South Wales exceeded £100,000 (Van Diemen's Land export was two-thirds as great); but even at that early stage a score of pastoralists in the two colonies were practising a variant of the customary method of offering wool for sale. The method which had become traditional since the days of tiny export was to sell at Sydney or Parramatta, Hobart or Launceston, to an agent for a London house. These agents bought most of the colonial clip at snap prices, as the wool waggons rolled in from the runs. But this did not suit the grazier who could afford to wait for his cheque and finance his own exporting. Accordingly an alternative method was adopted by men in this class. They sent their wool to London for sale by auction at Garroway's through Donaldson, Wilkinson & Company, wool brokers, of Old Broad Street. The Macarthurs, Richard Jones the banker-merchant-whaler-grazier, 'Sir' John Jamison, Simeon Lord the rich and powerful ex-convict, Sir John Owen, of Van Diemen's Land, Samuel Marsden and other notables used this method. The modern method, the sale of the bulk of the clip by auction in the Australian cities, was only originated after Thomas Sutcliffe Mort started (1834) his Sydney auction sales and Richard Goldsbrough (1848) his Port Phillip auction sales.<sup>52</sup>

iii. *The Labour Problem*

Convict transportation to New South Wales and Van Diemen's Land, taken together, augmented their population by 6,500 a year in the period 1831-7 preceding the adoption of the transportation committee report against the system. In the same period immigration, assisted and unassisted, into all Australasian colonies gave an annual increment of less than half the convict increment. The great increase of population, 1830-40 (all Australian colonies, not including New Zealand) from 70,000 to 190,000 was in fact promoted more by transportation than by free immigration. The present significance of this is that the labour reservoir on which the squatters drew most was the convict reservoir.<sup>53</sup> Keeping this

52 A contemporary account of the operations of the group selling their wool through Donaldson, Wilkinson & Company is in the *MSS Riley Letters*, 1817-33, pp. 273, 303, *et seq.*, in the Mitchell Library, Sydney. Richard Jones, 'Sir' John Jamison, and others who were in the group are described to some extent in the present writer's *op cit.*, Chapter 7 (a).

53 In an unpublished MS John Metcalfe analyses the distribution of the N.S.W. population at this time, showing the proportion living outside the limits of location in the categories immigrant colonial born assigned, etc. He comments, 'Vague as these figures are in their significance some conclusions may be drawn. The proportion of free outside was less than the general proportion (of free in the population), that of the colonial born less by half, that of immigrants nearly equal, assigned convicts nearly double. This is evidence at once of a high proportion of capital outside, for it was only capital that could command the services of the convicts and of the assisted immigrants who were brought out in the 'thirties.' In 1834 of 27,251 transports in N.S.W., 67 per cent were in private service on assignment, 14 per cent were on ticket of leave, 7 per cent were working on the roads (vide *The Colony of New South Wales, 1834*, MS. copy in Mitchell Library, Sydney, and Public Record Office, London).

in mind, we are in a position to make sense of some attitudes of the squatters or their representatives which are otherwise incongruous. The substance of the labour problem, to which many transportation and immigration questions are referable, was that in the 'twenties and 'thirties the pastoral class had consistently encouraged the practice of transportation to New South Wales, because convict labour, whatever its defects, was cheap, that in order to keep up the labour supply legislation was enacted to limit the opportunities of most former convicts to wage-labour, and that the colonial employers maintained, almost to the point of injuring their own best interests, a dogged assertion that the convict labour they had and might get could be used in harness with the free immigrant labour they had to get. This novel necessity arose in the 'thirties, when even the largest number of convict arrivals the country had known was obviously far too small to meet the labour demand of the pastoral extension. And here the time factor became vital, as deciding attitudes towards 'the system.' For though by demonstration convictism could not keep pace with the growing labour needs created by the spread of pastures, it *was* meeting some of the labour demand, and its abrupt cessation would be of serious inconvenience, therefore, pastoral and other employing interests would and did try to retain the convict labour source while pressing fiercely for the use of all available funds to tap the other, richer source—potential free immigrants. It could not weigh heavily on men who had an instant need of thousands of additional employees, that ultimately two working classes—one slave, the other free—could not exist together. One of John Macarthur's sons, Major Edward Macarthur, even proposed the curious expedient of giving large settlers a monopoly of convict (assigned) labour while getting more free emigrant labour—presumably for the small settlers.<sup>54</sup> But his evidence was given in 1831, when a parliamentary select committee was interested in extending both convict and pauper emigration to an Australian community which was of no great significance in itself, and when the primary matter was to cope with the position that convictions in England had increased from an average of 35,000 per annum in the seven years ending 1817 to 62,000 in the next seven years and 85,000 in the next. Five years later, the primary matter before a parliamentary select committee dealing with colonial affairs was deeper rooted—how to 'meet the exigencies of the Colonies and of the Mother Country' by a sufficient emigration and 'thus to enhance, incalculably, the prosperity of the United Empire.'<sup>55</sup> For now the Poor Law Commis-

54. Report from the select committee on secondary punishments (ordered to be printed 27 Sept. 1831), *Minutes of Evidence*, pp. 115, 117.

55. Report from the select committee on the disposal of lands in British colonies (ordered to be printed 1 Aug 1836), p. v.

sioners had counted the excess labour of the farming counties and this excess had to be disposed of. Two years later, the problem of excess rural and urban unemployed had sharpened, and the National Charter Convention was about to appear, to give mass discontent a revolutionary tone. Moreover, a select committee of the New South Wales Legislative Council could 'not assume that the want of labour in the colony can be supplied by the introduction of a smaller number than 3,000 adult males every year,' or 12,500 immigrants in all per annum.<sup>56</sup> And an English parliamentary select committee, noting the lack of labour in the colony and the inability of the transportation system to supply it, found that the situation required the abolition of transportation and the gathering of means (by a higher price on colonial land) to promote large emigration.<sup>57</sup> With the opinion that transportation and large emigration were incompatible, the more enlightened, or the best established, of colonial employers agreed. Before the 1837-8 transportation committee another son of John Macarthur, James, said,<sup>58</sup>

From my own experience, and also looking at it upon general principles, I am of opinion that free labour must be cheaper in the end than slave or forced labour.

O. You think, then, that the colony would not be injured by the substitution of free emigrant for convict labour?

A. On the contrary, that it would be in the highest degree benefited.

He agreed that convict and free labour were incompatible, that the transportation system was 'wholly inadequate to supply the demand for labour,' and that while transportation continued it would operate as an impediment of emigration without serving the purpose that free immigrant labour could serve. Current proposals in the colony, to get labour from India and China, showed how urgent was the need for labour in New South Wales.

At this time a third Macarthur, William, was giving to the select committee in Sydney his 'opinion that if means are not speedily taken to supply the demand by a greatly increased importation from the United Kingdom, the colonists must, to save themselves from ruin, seek (labourers) in whatever part of the world they can be obtained at the least expense.'<sup>59</sup> (William Macarthur thought that immigrants and convicts might work very well in conjunction—the presence of the immigrants might 'stimulate the prisoners to greater exertions.') Before the same committee G. M. Slade, commissioner for the assignment of convicts, made clear the entire inadequacy

<sup>56</sup> Report from the select committee of the Legislative Council on immigration, 7 Aug. 1838, p. 14.

<sup>57</sup> Report from the select committee on transportation, p. xxxv, *Lords Papers*, 1837-8, vol. xxxvi.

<sup>58</sup> *Ibid.*, *Min. Ev.*, pp. 66, 67.

<sup>59</sup> N S W Leg. Council Immig Cttee., 1838, *Min. Ev.*, p. 18.

of the transportation system to meet expanded colonial needs when he gave evidence<sup>60</sup> that in twenty months to the end of August 1838, he had assigned to settlers the services of 5,454 convicts, he had on hand 10-12,000 applications from employers for men, and he knew that more would have been lodged had not employers realized that there was no prospect of their being supplied. Slade put the immediate position justly when he added,

Of course it follows, from what I have stated, that the cessation of transportation to this country must augment the prevailing distress for labour, in proportion to the number of men who would thus be withdrawn. . . . The cessation of transportation must be attended with most serious consequences, *unless there be previous means taken to ensure the introduction of a full supply of free labourers* (present writer's italics).

Such was the shortage, a Sydney merchant testified,<sup>61</sup> that 111 settlers had already sent for 1,203 Chinese and Indian coolies. In September 1838, the committee received a letter with many signatures, the first being that of William Macarthur; the signatories included 41 magistrates. They urged that a loan should be raised against the 'emigration fund' from future land sales. Such a loan, to be floated in England, would be 'the only practical and effectual means whereby a supply of labouring population at all commensurate with our urgent wants, can be obtained'.

When at length the transportation committee in England recommended the abolition of assignment and transportation, it is feasible that they acted upon considerations similar to those which had decided the United States Congress, thirty years before, to forbid further importation of Negro slave labour—'Shrewd observers questioned the economic advantages of a system which in effect hindered the inflow of free artisans and adventurous capital.'<sup>62</sup> But probably the convict system for New South Wales would not have been discontinued in 1840-1—for it had been an imperial convenience, and was needed more than ever—but for the overriding urgency of a larger social problem than criminality, that is, the subversive movement of the working classes. And certainly New South Wales would not have been considered as an important means of meeting that larger issue, had it not been for the rapid development of a pastoral economy there.

This deciding 'condition of England' factor was never advanced by ministers as a reason for their abandonment of New South Wales as a 'receptacle for offenders,' but nothing else can account for the events of 1837-40. Earlier select committees than that which in

60. *ibid.*, pp 28 *et seq*

61. *ibid.*, pp 55, 56.

62. *The Rise of American Civilization*, by C. A. and M. R. Beard, i, p 52, London, Cape, 1927

1838 recommended that 'the continuance of transportation to the Australian colonies would be inconsistent with the policy of encouraging emigration there' had expressed doubt as to the deterrent effect of the punishment of transportation. And it is clear that the Melbourne government, in countenancing the appointment of the transportation select committee in April 1837, had already begged the question which the committee was to report upon. Lord John Russell and Lord Glenelg, Secretaries of State for Home Affairs, and for War and the Colonies respectively, had agreed in that month in condemning both the assignment and the transportation systems with regard to New South Wales, and long before the committee's report was received next year the governors had made preparations for dispensing with the assignment system. And the number of convicts sent out, which had fallen below 3,000 in only one year since the beginning of the 'thirties, was reduced to 2,293 in 1839 and 2,574 in 1840. There can scarcely have been any other determinant of these several proceedings than the resolution of the imperial authorities to embark upon a large emigration programme. Such a programme must look to the Australian colonies above all. The social and political condition of Canada was such that the colonies there could not be depended on to take many emigrants for some time to come—for instance, the 1836 committee on colonial waste lands did not consider Canada, but only Australia, the Cape of Good Hope and the West Indies—and no other British possession was capable of accommodating a large number of emigrants. Australia was, but only now that the extending pastoral industry had created a labour market.

But the Australian pastoralists, being persons with great undertakings and too few hands to execute them, would be disposed to think of the Australian labour problem in their terms and not in those of England. This meant that they would try to prevent the cutting off of the convict supply, at any rate as long as immigration could not supply a sufficient labour force. The 1838 committee of the Legislative Council on immigration pointed out, in this spirit, that 'the sudden discontinuance of transportation and assignment, by depriving the colonists of convict labour, must necessarily curtail their means of purchasing Crown lands, and consequently the supply of funds for the purpose of immigration', again, that the continuance of immigration must depend upon the continuance of the assignment system. And certainly, after transportation and assignment ceased in 1840-1, the number of assisted immigrants fell from 12,000 in 1841 to 5,000 in 1842 and to nothing in 1843, and the immediate reason for this was the sharp decline of land sales and the consequential drying up of the emigration fund. But the abolition of convictism

was not the cause of the inability to pay for land (*vide* Chapter III). Indirectly, however, the change of imperial policy for New South Wales had much to do with the crisis which the colonial economy experienced shortly afterwards. The connection is found in immigration finance. For when it became clear that the old labour supply was failing, colonial employers took measures to get more free labour from the United Kingdom. They used the bounty system to an unprecedented extent in 1839-40, taking out bounty orders for nearly £1m.,<sup>63</sup> although the means of ultimate payment, land revenue, amounted to less than half this sum even in these boom years; and the sudden call on colonial funds to meet dues on immigrants was, in the conditions which had developed, more than an imperfectly adjusted financial system could stand. But before the moment of crisis arrived internal stresses in the changed colonial society had brought about certain other situations which have to be noticed.

Two parties of graziers and merchants were influential in New South Wales at the time. They were usually distinguished as 'exclusives,' 'pure merinos' or 'Emigrants' on the one hand, and 'emancipists' or 'Liberals' on the other. (Their representatives, chiefly 'exclusives,' made up the non-official minority in the Legislative Council. Not all of either party were what the party labels suggested.) The uninfluential elements comprised small farmers and traders who had come bond or free to the colony, a large proportion of native-born persons—a quarter of the population in 1828 as in 1841; thirdly, free immigrant mechanics and labourers; fourthly, 'old hands' (ex-convicts) who worked for wages, fifthly, the large convict group of 'government men,' who were 40 per cent of the population at the 1833 census. Already complex, this strange society was ripe for change. The shrewd French observer, Pilorgerie, whose *Histoire de Botany-Bay* was published the year before the transportation select committee was assembled, summed that matter up when he wrote,<sup>64</sup> 'A penal colony's prosperity, and the continued effectiveness of punishment by transportation to it, are two phenomena which cannot co-exist but must cancel each other.' In other words: an expanding colony must offer opportunities, even to bondsmen, and opportunity is not punishment. The Whig

<sup>63</sup> *vide* Stanley to Gipps 14 Oct. 1841 *HRA*, I, xxxi, pp 543 *et seq.*, in which the Secretary of State complains that bounty orders to £979,562 had been taken out (apparently for 1839-40) when expectations of the emigration fund could not have been for more than £600,000. The Governor was instructed not to issue further bounty orders for the time.

<sup>64</sup> *Histoire de Botany-Bay*, by Jules de la Pilorgerie, p 344, Paris, Paulin 1836 'Mais à mesure que les colonies de la Nouvelles-Galles du Sud et de Van Diemen se sont rapprochées de la constitution économique des sociétés d'Europe, les caractères rigoureux de la déportation ont graduellement disparu. Peu à peu cette peine a perdu de sa sévérité. La prospérité d'une colonie pénale et le maintien de l'efficacité de la peine sont deux résultats qui ne peuvent co-exister, mais qui se succèdent en s'excluant.'

oracle, the *Edinburgh Review*, had perceived this,<sup>65</sup> and though the pastoralists who supplied the magistracy did their best to perpetuate the labour discipline by which their prosperity had been assisted,<sup>66</sup> they were not strong enough, and the force of events was too strong, to permit of it.

But how the British policy change affected the labour personnel of the pastoral expansion is observable in figures which were prepared by the Crown Lands Commissioners appointed in 1838, at the outset of the pastoral march beyond the old boundaries. The table opposite gives a comparison of the numbers of freemen and bondmen who were on stations beyond the old limits of location, at six-monthly intervals from the latter part of 1839 to the latter part of 1843. The comparison is not precisely between the number of free employees and the number of assigned servants, as the figures of freemen include employers (the number of stations varied from a minimum of 673 in the first half of 1840 to a maximum of 907 in the first half of 1843); but the table shows clearly the pronounced fall in the bond proportion after the cessation of assignment early in the first half of 1841.

It appears that the number of men per stock station 'outside' was on the crude average ten in 1839 and one less in subsequent years, until in 1843 it fell below eight. There were never more than a few score female assigned servants outside, and it was not until 1841 that the number of free women reached an average of one per station. Of course the personnel on stations varied not only over the period, according to the ability of the stockowner to pay for labour, but also according to whether runs were stocked with cattle or sheep or both, according to the number of flocks run

65 cf *ER*, vol 58, 1834, p 341 'Formerly, both imprisonment and transportation were accompanied with sufferings that might well render them an object of universal terror, and though it is impossible not to rejoice in the adoption of those humane regulations by which criminals are secured from the danger of starving or of perishing from unwholesome food . . . still it may be doubted whether either imprisonment or transportation would be regarded with even as much terror as they are, had they always afforded as little real ground for apprehension as at present' The Commons committee of 1831 on secondary punishments had reached a similar conclusion (p 17) 'Ample proof will be found in the Minutes of Evidence to show that the sense of degradation once overcome, the situation (of being) assigned to a settler is in many respects preferable to (that of) the agricultural labourer of this country that his food is more abundant, his clothing better, and that to add to his enjoyments, he has the advantage of a fine climate, with the certainty, if he conducts himself with propriety, of becoming virtually free in a few years, by obtaining a ticket of leave'

66 cf for the customary treatment of assigned servants, *Hobler Journal* (MS. in Mitchell Library, Sydney), vol 4 (1834-46), p. 41 (3 March 1836) Hobler's assigned servant Martin, had neglected his work because of being drunk, I 'took him to the police office, and as he could not be spared for a longer period, being one of my milkmen, (I sought for him) a sound flogging he has long deserved, but as the Governor . . . wishes to abstain from the only punishment that carries (weight with these people), viz , flogging, the P. M. Clerk deprives masters of the future services of their servants by putting them in the road-gangs instead of forcing them to do their duty Captain Stewart had 5 of his men so taken from him for different periods while I was waiting . . . ' At the same time Hobler was by no means destitute of feeling, he records for the 30th of the same month, 'Poor Platipus dead in his bed this morning'

(a flock, to be guarded by one shepherd, would consist of 400-800 head), and according to the clearing and building work necessary and the amount of cultivation undertaken. But we may, for the purpose of general illustration, take the description given by one

QUALITY OF N.S.W. MALE POPULATION OUTSIDE THE (1829-30)  
LIMITS OF LOCATION, 1839-43

Period	Number of stations	Free males	Bond males	Bond Percentage of total	Index No of total outside (2nd half 1839 100)
1839, 2nd half	694	3,540	3,126	47	100
1840, 1st half	673	3,333	2,672	46½	89½
1840, 2nd half	718	3,732	2,598	41	94½
1841, 1st half	761	4,157	2,794	40	104
1841, 2nd half	806	4,650	2,697	37	109½
1842, 1st half	781	4,503	2,291	34	101½
1842, 2nd half	881	5,447	2,168	28½	113½
1843, 1st half	907	5,024	1,685	25	100
1843, 2nd half	879	5,190	1,260	20	96

small squatter<sup>67</sup> of the tasks contingent on taking up a run, and the types and quantity of labour needed.

Alexander Harris, 'looking for a station,' went south-west from Sydney across the Goulburn Plains and selected his ground. He then had to hire in Sydney a bullock-driver, and his mate to be night-watchman on journeys with stores. Bullock-drivers and shearers were usually colonials. An overseer, usually an ex-convict, would be required to supervise the station hands, who at first would include a pair of splitters to get timber, and a general hand to do rough carpentering, including the construction of hurdles and yards for the sheep, a shearing shed, and so on. Assigned servants and 'old hands' furnished the body of shepherds and hutkeepers (the hutkeeper's duty was to watch the flocks by night and keep the hut by day), and if any cattle were run a stockman or stockmen would be needed, they would be colonials, as would be the horse-breakers, whose art would be exercised wherever a station had been established a year or two. Most of the permanent hands were paid about £25 a year and board. (Two-thirds of the flockmasters, Harris found, were 'illiberal and avaricious,' and their shepherds, in consequence, miserable and degraded.) It was the shepherd's, the hutkeeper's, the general hand's or the dairyman's tasks that the newly-arrived immigrant was needed to fill, as the supply of assigned servants and ex-convicts dwindled and failed.

There was no public regulation of employment on stations until

67. *Settlers and Convicts*, by Alexander Harris, pp. 224-332.

1840 Since 17 July 1828, legislation (9 Geo IV, No 9) had provided for 'the better regulation of servants, labourers and work people,' but as the Legislative Council immigration committee complained, this act did not apply to the new pastoral establishments. A bill to rectify this was brought down in 1840, to be passed on 20 October (4 Vict, No 23), and it is of interest to note the difference between the two measures in respect of the liability which each laid upon the employee. The 1828 act had been passed to meet the situation created by the growth of a native born and immigrant class of wage workers. When it was drafted, the planter spirit dictated the wording, with its references to any artificer, manufacturer, journeyman, workman, labourer or servant, employed in any manner howsoever, either as a *menial* or house servant, on any farm or estate. And such a one, having contracted his services to a master, must not leave his employment for another, on pain of forfeiture of wages and six months' gaol. The original draft of the later act, extending the operation of controls to 'any estate, farm, stock station, lands or premises,' had specified the severe penalties of 1828, but the agitation in Sydney of free workmen<sup>68</sup> resulted in the modification of penalties to forfeiture, and fine or three months' imprisonment (no woman to be subject to imprisonment). Moreover, the description, 'menial or house servant,' was softened to '*manual* or house servant'.

It is clear, after an analysis of the voluminous evidence given in contemporary council committees, and other contemporary evidence, that New South Wales employers, faced in the late 'thirties with an insufficient supply of convict labour which soon would be quite removed, tried to build up in the room of the old slave class a proletariat of whose members they should have the handling from babyhood. Thus the 1838 immigration committee of the Legislative Council spoke approvingly<sup>69</sup> of the evidence of J D Pinnock, who had been in the emigration department of the Colonial Office since that branch was established in 1831 and who was now resident immigration agent in Sydney.

It has been represented that in different unions under the Poor Laws, there are in many parts of England great numbers of boys and girls from twelve to fifteen years of age, of whom it is found difficult to dispose beneficially

68 *vide HRA* 1 xxi p xvi for a petition of 29 Sept 1840 (three weeks before the passage of the bill) to amend the Labourers' Act before the NSW Council. The petition was signed by 2856 Sydney workers. Some of its provisions will be found too harsh and stringent and will operate partially particularly that employers will have it in their power to oppress and defraud their workmen on undefined charges of misbehaviour or misdemeanour.

69 Report p 11 Pinnock's paper on juvenile emigration in pp 28 *et seq* his evidence in *Minutes of Evidence* pp 67 *et seq*. The evidence of others quoted in subsequent paragraphs of the text above is printed in the report of the committee's activities in *NSW Votes & Proceedings*, 1838.

at home, and who with their own free consent might be induced to emigrate in considerable numbers to this colony

Pinnock himself propounded before the committee his notions of juvenile emigration—an undertaking founded on the truest principles of humanity, justice and political economy' In reference to the last named he said,

It should be borne in mind that the disposition of youth is far more ductile in adapting itself to the manners and customs of a new country than that of more mature age But [passing to the moral realm] when we reflect that the grand supply of criminals comes from these very destitute children, and that the prisons of the United Kingdom swarm with young vagrants and thieves, surely a far higher feeling than that of expediency should prompt us to prevent, rather than to reform

Again,

Every person at all conversant with Ireland is aware that there is in that country a large number of children, of both sexes, many of them orphans and friendless, the removal of whom to this colony would be the greatest blessing that could befall them

True, one in twenty might not survive the voyage out,<sup>70</sup> but undoubtedly the circumstances of the scores of thousands of English children vagrant or in the Poor Law Commissioners' ragged schools were hopeless or nearly so The fifth report of the Poor Law Commissioners shows that when the Council committee in Sydney heard Pinnock's paper, there were nearly 43,000 children under 16 in nearly 500 workhouses, and two years earlier, in 1836, the House of Commons select committee on laws relating to prisons found that in 1834 and 1835, of all offenders who had been convicted summarily or after trial, in England and Wales, more than 40 per cent were under 21 years, while 11 per cent were under 16, in nearly every case of juvenile delinquency the offence was petty theft<sup>71</sup> The reservoir to which Pinnock directed the attention of colonial employers was capacious, and in the English social and economic circumstances of the time (*vide* Chapter I) it was not likely to fail There were great numbers of prospective Abel Magwitches still in the British Isles, and though they would not be transported as he had been, New South Wales might receive them all the same Charles Dickens's description<sup>72</sup> of the life of a vagrant nameless child of the time, put into Abel's mouth, is

<sup>70</sup> of the mortality among emigrants in about ninety ships which arrived at Port Jackson in eighteen months ended 30 June 1838 The number of assisted emigrants including 660 children of more than 12 years and 1 376 of under 12 was 4 370 There were 259 deaths *en voyage* (Report p 16)

<sup>71</sup> Report of the committee pp 349 351 ordered to be printed 15 July 1836

<sup>72</sup> *Great Expectations* Chapter xlii

undoubtedly a faithful one, and worth quoting in this context of colonial labour needs

I've been done everything to, pretty well—except hanged I've been locked up as much as a silver tea kettle I've been carted here and carted there, put out of this town and out of that town, and stuck in the stocks, and whipped and worned and drove I was took up, took up, took up, to that extent that I reg'larly grow'd up took up This is a terrible hardened one,' they says to prison wisitors, picking out me 'May be said to live in gaols, this boy' Then they looked at me, and I looked at them, and they measured my head, some of em—they had better a measured my stomach—and others on 'em giv' me tracts what I couldn't read, and made me speeches what I couldn't unnerstand They always went on agen me about the Devil But what the devil was I to do? I must put something into my stomach, musn't I?

Such wretches might be useful in the colonies, if 'took up' young enough William Macarthur pointed out to the 1838 committee in Sydney that the importation of children need not be confined to the orphan and friendless, children with their parents might be accommodated, to the benefit of colonial production Take an emigrant workingman

I will suppose such a man to be a shepherd, and to have several boys of nine or ten and upwards He might, with his boys, undertake the entire duties connected with a sheep station consisting of three or four flocks It will not surely be contended that such a family would be more expensive to their master, than four or five convict servants Even the females may, with propriety be employed At Camden my two brothers and myself have about thirty women The labour proposed to the women is of that description which women are capable of performing and are accustomed to in England We have generally from ten to twenty children, from five and six years old, employed at wages from 3d to 1s per diem Their labour remunerates for the wages paid

This resolution, to establish in New South Wales an emigrant proletariat, recruited from working class and pauper children, goes far to explain the colonial employers' general preference for the bounty rather than the government system of emigration The two systems were used side by side in the later 'thirties, but by 1840 more of the New South Wales emigration fund was being spent on bounties than on government emigration by direct selection, and in the Legislative Council the non official minority, composed exclusively of large employers, was consistent in advocating the superiority of the bounty system Under the government system, emigrants for Australia were selected by agents appointed by the government, which hired ships and placed Royal Navy surgeons on board to care for the emigrants' health Under the bounty system, bounties according to a fixed scale were paid, on the arrival of immigrants, to the employer who had nominated them and to officers of the ships which brought them out, private emigration

agents in Britain recruited the emigrants. Coghlan writes<sup>73</sup> that colonial employers preferred the bounty system ostensibly because of its comparative cheapness,<sup>74</sup> but actually because the government immigrants 'being of a superior type, were disposed to look for higher wages than the settlers were willing to pay.' Certainly, at a time when there was 'much disposition to resort to the new settlement of Port Phillip on the south coast of New Holland' (and when the Sydney committee and the House of Commons transportation committee were in session), T. F. Elliott, the agent for emigration from the United Kingdom, stressed in a circular that emigrants must give evidence that they would be useful settlers. 'There is no longer any sort of assistance which can be claimed indiscriminately at all places, or at all times. But for the encouragement of the emigration of useful settlers, Government will occasionally send, from different parts of the United Kingdom, ships provided expressly for the purpose, in which free passages will be allowed.'<sup>75</sup> Those selected would be 'mechanics and handicraftsmen, or . . . farm servants,' married, of proven character, in age under 35 for preference but in no case over 50 years, or girls of from 15-30 years, going out with qualified married couples. This government scheme, or something like it, had been in operation since the appointment of Emigration Commissioners in the Colonial Office on 9 July 1831. A few assisted emigrants had gone to Australia as free passengers in convict ships, in the twenty years after 1792, but in the 'twenties the government policy had been to encourage the emigration of persons of some capital, rather than workpeople.

It was only after the Government had resolved in 1831 to try the experiment of disposing of its lands in Australia by sale, and applying the proceeds to emigration, that shipowners were induced by communications from the

<sup>73</sup> *Labour and Industry in Australia*, 1, p. 358, Oxford University Press, 1918.

<sup>74</sup> Comparative costs in the first three years of the operation of the two systems together may be worked out as follows from statistics given by the Secretary of State in 1841 (Stanley to Gipps, 14 Oct. 1841, *HRA*, 1, vii, pp. 543 *et seq.*)

Year	No of immigrants sent by Government	Cost	Cost per immigrant	No of immigrants sent on bounty	Cost	Cost per immigrant
		£	£ s		£	£ s
1837	2,068	43,341	16 5	742	8,585	11 12
1838	6,463	122,318	18 18	1,622	22,398	13 16
1839	4,096	80,414	21 17	2,814	43,028	15 5

Evidently the Bounty system was considerably cheaper. The NSW committee of 1838 calculated (Report, p. 23) that 276 immigrants landed at Sydney on 21 July 1838 from the ship *Magistrate* from Cork, who had cost £4,877 under the Govt system, would have cost only £3,828 on bounty. The N.S.W. immigration committee of 1840 found (Report, p. 55) that in twelve months ended 30 June 1840 3,653 Government immigrants arrived, at a total cost of £57,738, on bounty they would have cost only £47,489.

<sup>75</sup> Elliott to the Secretary of State, 28 April 1838, *Lords Papers*, 1838, vol. viii

Government to make the experiment of providing steerage passages of the cheapest description.<sup>76</sup>

The bounty system was originated by Bourke in New South Wales (by Government Notice of 28 October 1835), and from 1837 bounties were paid from the colonial (land) revenue. The system was dropped in 1856 after intermittent, sometimes large, use during twenty years. Bourke's successor as governor of New South Wales, Sir George Gipps, found in 1840, a year in which most of that portion of the land revenue which was devoted to immigration was spent on bounty payments, that the direction of the colonial expenditure was a burning question.

The main, and I believe I may say the only source of discontent in the colony is the long-pending question of the payment by the colony of the whole expenses of its police and gaols. It is the never ceasing cause of nearly all the abuse which is heaped upon His Majesty's Government and myself, indeed I scarcely have had any difficulty to contend with that may not be traced to this source.<sup>77</sup>

The *Australian* newspaper, Wentworth's 'emancipist' organ, had made an issue of the appropriation of the colonial revenue, as early as 10 January 1833. A leading article held, 'Let it still be the prerogative of the Crown to defend the colony without, and to appoint to offices within it; but let no local laws be framed but by a local legislature popularly elected, and by that let supplies be voted or withheld.' Actually the position after the 1831 land regulations had been published (by royal instruction, without reference to parliament) was that 'money was raised in New South Wales and disposed of not only without reference to the local legislature, but without reference to the English legislature.'<sup>78</sup> Since the 1828 New South Wales Judicature Act (9 Geo. IV., cap 83; s. 27) it had been accepted that the local Legislative Council could levy certain duties formerly levied by the governor, but control of

<sup>76</sup> 7th general report, Colonial Land and Emigration Commissioners, *Lords Papers*, 1847, vol xxx, p 499

<sup>77</sup> *HRA*, I, xx, pp. 712-3 In 1850 this was still a colonial grievance, e.g., on 23 August of that year (*vide* NSW V & P, 1850 vol 1) W. C. Wentworth gave notice of motion protesting that the territorial revenues had not long since been handed over to the control of the Legislative Council as Bourke had promised under Spring Rice's authority (despatch of 15 Nov 1834, and Treasury minute of 23 Sept. 1834) Police expenditure to the end of 1844, since met by the Colonial Treasury, had amounted to £793,349, and by the end of 1850 would amount to £1,238,204 The N.S.W. & V.D.L. Govt Act 1842 (5 & 6 Vict., cap. 76) had provided that half of such cost should be met by the Colonial Treasury and half by local assessment to be made by district councils contemplated by the act, these were not set up. For early objections to the assumption by the colonial revenue of responsibility for a police cost which was in part contingent on the imperial policy of increased transportation in the 'thirties, *vide* many references in V & P, 1835-9.

<sup>78</sup> *HRA*, I, xvi, p 80 The present writer is indebted to John Metcalfe, deputy principal librarian of the Public Library of New South Wales, for his research which led to the collection of much of the information used in this and the following paragraph of the text above.

expenditure from land revenue was still exercised by the Colonial Office. There was an almost constant stream of protest against the application of such revenue to any other purposes than those of emigration and immigration. Thus John Blaxland, grazier and member of the Legislative Council, objected to the appropriation from the colonial revenue of £750 a year pension for M'Leay, the retiring Colonial Secretary, and £500 a year salary for the New Zealand Resident.<sup>79</sup> In 1835 the cost of police and gaols placed on the colony, made large inroads into the land revenue, of thirteen members of Council, six voted against the colony's liability to meet police and gaol costs from colonial revenue.<sup>80</sup> The dispute was maintained throughout the rest of the 'thirties, both parties of employers (Sir John Jamison was the first 'emancipist' supporter to become a member of Council) objecting to the inroads; in the Council, James Macarthur moved in 1840 that the imperial government should carry at least half of the police and gaols cost. Grote's similar motion in the House of Commons next year was negatived by fifty-two votes to eight.<sup>81</sup> By the Constitution Act of 1842 (5 and 6 Vict., cap. 76, ss. 34, 47) these expenses were to be met partly out of general colonial revenue, except land revenue, and partly by local assessments.

Persons as well informed as the Chief Justice Forbes, believed in 1836 that the House of Commons was on the point of conferring a constitution upon New South Wales.<sup>82</sup> But in spite of the wealth and influence<sup>83</sup> of the leading members of the two colonial parties nothing was achieved in this regard, or in relation to the disposition of the land revenue, until 1842-3, when the pastoral economy had experienced a severe reverse. But at any rate the influential classes that controlled the growing wool industry, most of the banks, and leading firms of importers, had built during the 'thirties the foundations of something quite like a planter-state,

<sup>79</sup> N.S.W. V & P, 1834, p. 213. The organ of the native-born element, the *Currency Lad*, pointed out, on 20 Oct and 2 Dec 1832, that M'Leay's salary of £2,750 a year, paid from the colonial revenue, compared with £1,200 a year received by United States Ministers.

<sup>80</sup> V. & P., 1835.

<sup>81</sup> V & P., 1840. Policies of the Australian Patriotic Association (led by Wentworth, Jamison, etc.) appear in the debates for this year.

<sup>82</sup> *vide Forbes Papers* (MSS in Mitchell Library, Sydney), *Petitions & Reports*.

<sup>83</sup> Discussed in *ibid.*, pp. 113 *et seq.*, in which Forbes compares two petitions sent to England in 1836 by the 'exclusive' and 'emancipist' parties. Both agreed that the land revenue should be devoted to emigration only. Forbes assessed as about equal the wealth of the constituents of the two parties.

The deliberate exclusion of ex-convicts from ownership in N.S.W. had been practised since Brisbane's Governorship in the early 'twenties, when the practice of giving convicts land-grants on expiry or pardon was given up. In 1833 the Imperial Act 2 and 3 Wm. IV, cap. 62 ruled that a convict on ticket of leave could not hold property or maintain a suit at law.

The Governor, Bourke, commented (*H.R.A.*, I, xvi, p. 805), 'Assuredly (the ticket of leave man) can hardly escape connection in this colony with persons who will readily avail themselves of his disability to get rid of his demands. In this way, I fear the operation of the late Act will go far to break up a very numerous class of persons amongst whom there are many reformed characters, sober, honest, industrious persons, to be found.'

where basic (i.e., land) legislation might 'suit pretty well the highest class . . . but . . . nobody else . . . They entirely prevent persons of small property from becoming landholders and agriculturists, by which again they coercively construct an immensely larger labouring class than otherwise would exist in the colony.' Alexander Harris, the pastoralist who reached this conclusion, added, 'If any one wish to be a servant for twenty years first, and then begin to farm, Australia is his ground.'<sup>84</sup> In some sort, thus, Wakefield had been vindicated in the greatest Australasian colony.

<sup>84</sup>. *op cit*, pp. 403, 406

### CHAPTER III

#### PASTORAL AUSTRALIA IN IMPERIAL ECONOMY, 1841-50

- i. Crisis and Depression in the Pastoral Colonies
- ii. Imperial Policy and its Bases
- iii. The Pastoral Labour Supply: the British Wool Market
- iv. Economic Condition of the Australasian Colonies, 1850

##### *i. Crisis and Depression in the Pastoral Colonies*

THE principal conditions of the economic advance which was made in Australia in the twelve years up to 1841 were (1) the imperial government's 1831 policy of Crown land sale to promote emigration, (2) the rapid advance of the Australian pastoral industry and its growing importance as a supplier of raw wool to English manufacturers, and (3) the importation of banking and other developmental capital through the South Australian Company and also as a consequence of Acts of Council in 1830 in Van Diemen's Land and 1834 in New South Wales. But just as events beyond as well as within the colonies contributed to the remarkable development which took place, so a recession of the colonial economy which presently led to economic crisis and depression, and to a reduction of the rate of progress of the new staple wool export industry, was conditioned by events originating both outside and inside. The chief influences causing recession were (1) the fall of the general level of English wholesale prices (from 153 in 1839 to 118 in 1843, Jevons-Sauerbeck index numbers), (2) specifically the more gradual fall of the average price of New South Wales wool exported (from 2s. per lb. in 1836, 1s. 6d. in 1837, to 1s. 3d. in 1841 and 1842, and 1s. 1d. in 1843), (3) the economic crisis in England in mid-1839, (4) a severe drought which began in New South Wales in 1838, and (5) the withdrawal of large sums from the Sydney banks by the colonial government in 1840-1 to meet immigration payments. The issue was a sudden failure of capital, after 1839, to bring from England further support of the land boom which had accompanied the pastoral extension. In fact, whether in boom (1835-40) or at crisis (1841), the paramount factor was an external one to which each colonial development must be referred.

The importation of private capital for new enterprise was interrupted in 1840, and no commercial undertaking after the Union,

Sydney and Port Phillip Banks, which commenced business in 1839, found fresh capital to sustain a land boom which reached its maximum in 1840. Moreover, the cessation of convict transportation to New South Wales in that year entailed a considerable reduction of commissariat expenditure in New South Wales and hence of the importation of British public capital. But the general economic effect of this change of policy was rather to deepen depression than to bring on crisis.<sup>1</sup> The basic reason for the interruption of private capital flow to Australia lies in the arrest of the English boom in joint stock company (including bank) shares when, on 9 May 1839, the Bank of England, pressed by a crisis of the great cottons trade, suddenly increased its discount rate and heightened panic in the English money market. One consequence of the reluctance to invest which followed was, as has been pointed out (Chapter II, ii), a check on land speculation in South Australia. This circumstance deprived New South Wales stockowners of an important market, but the direct effect on New South Wales was not great, for large overseas investment there in 1835-9 was still ample to carry the boom to the end of 1840. Indeed, in this last boom twelvemonth, receipts for Crown land sold were double, and government revenue more than 50 per cent above, the high figure of 1839, and more immigrants were contracted for, chiefly under the bounty system to be described later, than for any other year before 1855. But the effect of the English capital shyness, though delayed, was to be felt very deeply in New South Wales for the reason that since 1836 the total value of wool exported had been rising at a much slower rate than had the quantity exported. The 1839 export was double the 1836 quantity, but the total value was only 25 per cent higher, on account of a steep price fall from 2s. to 1s. 3d. per lb. Wool prices continued to fall until 1844, when the average price realized was down to less than half the 1836 average. Bringing these two factors together, it is obvious that falling wool prices would not encourage new investment in Australia at a time of uneasiness in English business, even though there was no longer doubt of the future of the Australian pastoral industry. And in the New South Wales conditions of recent large and rapid expansion, *sustained* investment was a condition

1. The squatter, W. A. Brodribb, held (*Recollections of an Australian Squatter*, p. 52) that the stoppage of transportation involved the loss to the colony of £400,000 a year Commissariat expenditure by the Imperial Government. The amount may not have been so great, and in any case the effect was not felt until after 1841. In 1839 the Commissariat expenditure on convicts in N.S.W. was £170,000, in 1840 £160,000, in 1841 £130,000 (*H.R.A.*, I, xxiii, p. 235). Within four years the Commissariat expenditure on convicts in N.S.W. was down to half the 1841 figure, and Van Diemen's Land, whither convicts were sent (though in smaller numbers) after the abolition of the system in N.S.W., recorded about £200,000 annual Commissariat expenditure during the 'forties (*V.D.L. Statistical Summary*, 1823-65).

of stability. Without sustained capital support, that doubled population and those bountiful credits would seem less like assets and more like liabilities.

Yet another local circumstance augured ill, even before the boom reached its climax in 1839 New South Wales, after a bad season, had to import more than four times the value of breadstuffs imported in 1837 or 1838, and in 1840, more than three times. The situation was that the colonial economy was lop-sided under a pressure of wool bales whose value was falling, and that the little-developed agriculture of the colony was even less able than before to meet local requirements, because of drought. Immigration finance soon brought on crisis in the colony which since 1827 had accumulated more than £4m. excess of imports over exports.

It must be recalled that Wakefield's beneficent cycle—land purchase, immigration financed from land sale receipts, increased production, increased land purchase, and so on—could get its motive power only from receipts from the sale of Crown land. These, sent up by stimuli mostly attributable to the new banking enterprises of 1839, rose to great heights in 1840. New South Wales sales, largely of Port Phillip land, aggregated 125,554 acres, at £233,220 (average per acre of country land, 11s. 10d. in all New South Wales, £1. 15s. 5d. at Port Phillip). The seven banks which were sustaining this boom had, at 31 December 1840, doubled their paid up capital as compared with two years before, and they held three-quarters of the colony's total specie of £400,000, mostly government deposits. As the land sale receipts of the boom year, 1840, poured in, the banks' holdings of government coin had risen from £126,000 average for May to a peak of £281,000 in October, while the Colonial Treasury's specie holding was kept at £38,900. Then in November government withdrawals to pay for a greatly increased assisted immigration became a serious factor. Many of its immigration transactions were merely internal, but on the average 9 per cent of bounty payments were made to shipmasters and others who would not rebank in the colony, and expenditure outside Australia on 'Government' immigration arranged in 1837-40 was nearly a quarter of a million pounds. These withdrawals, whether for internal or external payments by the government, induced strange consequences. Government bank deposits *at current account* earned 4 per cent interest; the government charged the banks 7 per cent on £15,000 specie which it placed with each of the Sydney banks early in 1841 and reduced by £7,000 after six months, and withdrew altogether after twelve months. But, most of the government's immigration payments having been made to pastoralists and merchants who had imported immigrants

on the bounty system, the banks' specie reserves totalled nearly £428,000 by the end of 1841, compared with £310,000 at the end of 1840.

However, the dislocation caused by the government's heavy withdrawals had put an end to the land and stock boom. Land sales for 1841 were down to £90,000, compared with £316,000 the year before. The business boom collapsed with the land boom, and the bank note circulation fell off steeply. The banks, hard put to meet their engagements to scared depositors, increased their paid up capital by more than £400,000 (from £1,300,000) in 1841, nearly £300,000 in 1842, and more than £300,000 in 1843. Towards the end of 1842 their books showed more than £2.5m. worth of notes and bills discounted, this shakily secured item amounting to five-sixths of their total assets at a time when they were liable to depositors for £1m., had £300,000 of notes in circulation, and specie reserves totalling less than £500,000. The two major banks, the Union and the Australasia, which had done only 45 per cent of the discount business, had 58 per cent of the specie, their specie assets being to their paper assets in a ratio of 1 : 4. But the Bank of Australia, which had 14 per cent of the paper assets and but 4 per cent of the specie, found its ratio to be 1 : 18½, while the Sydney and Port Phillip Banks' operations were also conspicuous examples of over-confidence in the immediate future of New South Wales. The 24-year-old New South Wales Savings Bank felt the panic first. A run began on 1 May 1843, and £20,000 of small depositors' money was withdrawn on that and the next day. Government intervention by guarantee of loans floated by the trustees saved the Savings Bank, but soon after May Day there were three banks fewer in New South Wales. The first to go was the 'pure merino' Bank of Australia, followed by the Port Phillip and the Sydney, and in October the firm of Hughes & Hosking, merchants, to which the Australia had advanced a total of £300,000, reached the Insolvent Court.<sup>2</sup>

Even before the banks went, the colony had experienced many of the usual sequels of crisis. Retail prices and wages were down a third or half as compared with 1840, select committees of the Legislative Council would soon have financial emergency and unemployment problems to consider, some graziers were selling

2 The banking statistics, and incidents in the narrative to this point, are from the Blue Books and the Report of the Legislative Council committee on monetary confusion with the Minutes of Evidence (NSW. V. & P., 1843), *vide* also Bourke to Glenelg, 21 November 1837 (*H.R.A.*, I, xiv, pp. 186-87), on bank interest rates, Gipps to Stanley, 10 May 1843 (*ibid.* xii, p. 719) on the position in 1842, when receipts from Crown land sales (£14,575) were insufficient to cover the costs incurred by the survey department (£31,000), V. & P., 1843, for the banks' 1842 quarterly statements of assets and liabilities, and a general comparison of the 1842 position with that of 1841, and the Governor's despatches in *H.R.A.*, I, xxii and xxiii.

their sheep at famine prices, and George Hobler, the big squatter of yesteryear, who filed his schedule on 3 April 1843, noted that 'bankruptcy was almost universal, and confidence in mercantile matters lost entirely . . . The whole community seemed horror-struck'<sup>3</sup> Grim commentary on the waste of flocks and herds now that developmental capital was lacking and wool prices low, Dr Lang would soon find that 'the second of the animal products of New South Wales is tallow'<sup>4</sup>—that meant that sheep and cattle were being boiled down instead of being depastured for wool or meat, tallow exported from New South Wales in 1840 was not much more than 20 tons, worth £1,000, but in 1843 the quantity was a dozen times as great, the value ten times, and next year nearly 3,000 tons was exported, worth nearly £84,000, a sum greater than the value of the entire wool clip of twelve years before. Boiling down, which Lang held could 'not but be peculiarly offensive in the sight of heaven,' was the fate of a great portion<sup>5</sup> of the New South Wales flocks, which scarcely increased in the two years after 1842. The working population, too, was in distress. Votes of £3,500 to finance unemployment relief were made by the Legislative Council in October 1843, and next month a committee of the Council was appointed to take into consideration a petition from upwards of 4,000 of the inhabitants of Sydney, soliciting the attention of the Council to the distressed condition of the numerous unemployed artisans and labourers in the city of Sydney'<sup>6</sup> Evidence was given before the committee, in due course, by a Mutual Protection Society which had been formed in Sydney on 5 April 1843. It was the first Australian union of workers (albeit unemployed workers) of several trades, and it is not without significance that, coming into being so soon after the abolition of the system of assigning convict labour, it took its methods from the English labour defence organizations of the 'thirties and, further, took a stand which would be maintained in Australia a century later, namely, that an extempore government wage for unemployed labourers on relief should be regarded, 'not as a rate of wages, but to keep people from starving'<sup>7</sup> The Mutual Protection Society, standing in this way for the maintenance of wages, set a precedent for the

3 *Hobler Journal* (MS in Mitchell Library Sydney) iv pp 85-86

4 *Historical and Statistical Account of New South Wales* 3rd ed p 67

5 Brodribb *op cit* has some graphic passages on the wholesale sending to the boiling pots of cattle and sheep. The Blue Book 1840-49 (in NSW V & P 1850 vol 1) shows the increase of the number of boiling down establishments in the colony from 47 in 1844 to 95 in 1849 more than 1½ million sheep and nearly 200 000 head of cattle were slaughtered for tallow in these six years

6 The report from the select committee of the Council on the petition of distressed mechanics and labourers 24 November 1843 is in NSW V & P 1843. According to evidence given stone masons were then receiving 50 per cent less than their pre depression wage of 9s a day and municipal labourers 17s a week reduced from 27s - 30s a week

7 *ibid.*

Australian trade unions which from the next decade would be organizing on this basis men in actual employment with private concerns

However, relief of Sydney's 1,243 known unemployed, and their 2,500 dependants, was a small problem compared with that of relieving the business community. Insolvencies involving liabilities totalling £681,272, and 237 in number, were recorded for Port Phillip alone in 1842-3, and the average dividend paid was only 1s 6d in £1.<sup>8</sup> In Sydney the General Steam Navigation Company failed for £50,000, the Sydney and Hunter's River Auction Companies, children of boom, for an aggregate of £77,000, Duke and Company failed for £180,000 and met not a penny of their liabilities, insolvent estates which owed Samuel Lyons £33,000 paid him only £800, or less than 6d in £1. These figures, illustrating the dislocation of the business of a community of much less than 200,000 population, show that there must have been a pretty wide agreement with the governor's dictum, 'For a man who purchased his sheep in money borrowed at 10-15 per cent per annum, there is no hope but in the Insolvency Court'.<sup>9</sup> Before taking note of the remedial measures which were adopted to prevent the ruin of pastoralists and merchants alike—'The gaols would have been crowded,' the Insolvent Commissioner said to a select committee, if the Debtors' Relief Act, 7 Vict., No. 19, 'had not been passed'<sup>10</sup>—we need to return for a moment to notice what contribution the cessation of convict transportation made to the red ink side of the community's books. This was substantial, for whereas in the three years, 1838-40, nearly 8,000 convicts had arrived in New South Wales, each involving some expenditure in the colony by the British Treasury, fewer than 1,000 came in 1841, the last year of convict arrivals, and in succeeding years the commissariat expenditure on transports in the colony naturally went down rapidly—from £170,000 in 1839 to £65,000 in 1844.<sup>11</sup> So that when in 1842 and 1843 the year's excess of imports over exports fell from £540,000 to £280,000 and £170,000, the decline was due to a reduction of British public as well as private capital export to the colony.

To relieve pastoralists and business people, W. C. Wentworth introduced three bills into the Legislative Council in 1843. The first, which became law as 7 Vict., No. 7, made it possible for pastoralists to raise working capital under government protection. The practice of getting advances against a 'next ensuing' wool

<sup>8</sup> *vide* Melbourne *Prices Current* 15 December 1857 for the Port Phillip insolvencies

<sup>9</sup> *H.R.A.* I xxiii p. 66

<sup>10</sup> Report from the (N.S.W.) select committee on the Insolvent Act 8 December 1843

*V. & P.* 1843

<sup>11</sup> *H.R.A.*, I, xxiii, p. 235

clip was not new, London wool brokers had been making such advances since 1833<sup>12</sup> But there had been no regulated practice of liens on clip and mortgages on stock, in a colony which took its law from England where conditions were radically different. Advances against land, or merchants' goods in transit, could not finance the production and commerce of a colony which depended almost utterly on its pastoral industry, a colony in which the land market was glutted and in which the flow of trade had diminished to a trickle. The tangible wealth of this land was its sheep and cattle. Wentworth presented in August 1843 his bill to capitalize this fact. His preamble began,

Whereas in the present depression of the farming interest it is expedient, and would tend greatly to increase the credit of and afford relief to owners of sheep, to enable them to give valid liens upon their wool, from season to season, without parting with the possession of the sheep

The bill became law on 15 September 1843. It provided (section 1) for registration of lien agreements in form, at the Supreme Court, (section 2) for the registration of liens made before the act, such registration to give the lender first claim against the borrower's wool cheque, and (section 3) for the registration of mortgages on livestock, such stock then to remain in the possession of the mortgagor even though he were insolvent, provided the mortgage had been completed sixty days before any order for sequestration was made. 'No very salutary effect is anticipated from it,'<sup>13</sup> Gipps reported of the Liens on Sheep Act, which, as amended from time to time was to authorize the financing of Australian woolgrowing for generations. But transactions during the first seven years of the act's operation amounted to above £500,000 advanced in respect of more than 1,100 liens on the wool of 6¼ million sheep, and nearly £1¼m advanced under more than 1,200 mortgages on livestock.<sup>14</sup> With the graziers raising, throughout the economic depression, about £250,000 a year on their clip prospect and their livestock, sheep raising in New South Wales was now on a regular business footing. When Wentworth's act was amended two years later, the Amending Act, 9 Vict., No. 30, provided that the boiling down of sheep in lien should be an indictable offence. But by this time the establishment of meatworks for salting and preserving—two were opened in 1844—had given growers a small market additional to the wool market, and the colonial butchers and tallow exporters, and a sort

12 For an account of such advances arrangements by Donaldson Wilkinson & Company wool brokers of London *vide Riley Letters* (MS in Mitchell Library Sydney) pp. 187-188. In 1833 Richard Jones M.L.C. banker etc. in Sydney was authorized to make due advances on produce where it may be required.

13 *HRA* I xxiii p. 80.

14 *vide* NSW Blue Book 1840-49 in *V & P* 1850.

of beginning had been made of the great meat export trade which forty years later would aggrandize the value of the pastures of Australasia.

The second of Wentworth's remedial measures of 1843 was an Insolvency Bill, which became law as 7 Vict., No. 4, allowing debtors in certain circumstances to continue managing their property under a 'letter of licence.' Thirdly, Wentworth proposed a usury law to fix the maximum rate of interest which might be charged on loans, at 5 per cent (*cf.* the Forbes Act figure of 8 per cent, or any other rate agreed upon). Such an enactment would have been hard on creditors, particularly the banks with their recent extensive discount business, who had lent money at 10 per cent or more. The Council rejected the proposal by 21 votes to 12. However, immediately after the rejection of the bill the Union and Commercial Banks, representing more than half of the banking capital of the colony, reduced their discount rates on three months' bills from 10 to 8 per cent, and on other bills from 8 to 6 per cent. A later measure (7 Vict., No. 19) abolished imprisonment for debt in New South Wales, which was thus first among British countries to take a leaf from Dickens's book. Gipps reported home,

It appeared to me that in a matter of so much importance a Colonial Legislature ought scarcely to take the lead of Parliament, and I even doubted whether an enactment, which went to deprive creditors of a right which (whether it be a barbarous one or not) the Law of England has for centuries allowed to them, might not be repugnant to the Law of England.<sup>15</sup>

But when the measure was proposed 'there was no public objection,' and the governor gave the assent, 'though only on the same day that I prorogued the Council.'

The year before, Gipps had eased the burden on the banks by issuing government notes up to nearly £50,000 (the bank note circulation fell from £229,000 in March 1841, to £156,000 in September 1843), thus following the precedent set by Sir Ralph Darling in alleviating the aftermath of the 'mania for flocks and herds' of 1826. The Gipps notes helped to lessen the drain of specie from New South Wales which was additional to the unavoidable drain for which the colonial government was responsible—having no balance in London, it had to pay its overseas immigration debts in specie.

Van Diemen's Land and South Australia had their share of difficulties at this time. Tasmanian exports fell off by 27 per cent of the 1840 figure in 1841, 33 and 49 per cent in 1842 and 1843, and it was not to be until the year after the gold discoveries on the mainland that the 1840 total would be exceeded. Similarly, by

15 Gipps to Stanley, 1 January 1844; *H.R.A.*, I, xxiii, p. 291.

1844 imports were 56 per cent below the 1840 figure, and exports 53 per cent. The flocks of Van Dremen's Land decreased in numbers in 1844-6. In fact, nothing advantageous went up except the commissariat expenditure, which mounted after the diversion of the convict stream from New South Wales. South Australia's position, as described in the previous chapter, worsened early. But the flocks which South Australian colonists had bought from New South Wales overlanders in 1838-9 yielded a return, and by 1843 two-thirds of the small total export value of £66,000 was made up by the wool clip. In that year, too, the farming activity forced by the early crisis had gone far enough to enable the colony to export £11,000 worth of breadstuffs to its neighbours. An export trade with the other colonies pulled South Australia round in 1846-8, and in two of those years, 1846 and 1847, when assisted immigration into New South Wales including Port Phillip was suspended, nearly 5,000 assisted immigrants entered South Australia.<sup>16</sup> After the changes of the imperial policy for colonial lands, put into operation in 1840 and 1843, the tiny settlement at the Swan River in Western Australia found itself in rather worse case than usual. 'We have got into an extraordinary state here,' a settler wrote in July 1844. 'The money seems all to have vanished. Our Colonial Treasury had only £7. 6s. 5d., after paying the salaries and disbursements of last month.'<sup>17</sup> This description leaves little to be said, but it may be added, as a matter of curious interest, that a few weeks later the Council at Perth passed an act (8 Vict., No. 16) 'to extend the remedies of creditors against debtors about to leave the colony,' and that two other acts (8 Vict., No. 10 and 9 Vict., No. 3) had to be passed, to put a stop to the subsidizing of churches, and to authorize the floating of a loan of £2,000 to finance the building of a Perth gaol respectively. New Zealand, whose governor could not find in all Australasia a bank to honour the colony's bill for £5,000, was not in better case. Perhaps its case typifies the abrupt transformation of the colonial scene generally; in 1841 the New Zealand Bank, which was to be wound up four years later, had offered 5 per cent interest on money at ten days' deposit.

## ii. *Imperial Policy and its Bases*

Whitehall's colonial policy, from first to last as far as Australia was concerned, was never an imperial policy in the sense of something dictated by a realization of responsibility as a custodian

16. V D L statistics from 1865 Blue Book, S A statistics from 1845-1854 Blue Books.

17. *cit. History of Western Australia*, by J S Battye, p 173, Oxford University Press, 1924

or trustee. It was seldom enlightened even by a well-informed determination to exploit. It was a series of fits and starts prompted as a rule by immediate situations at home, and it was never modified in the interests of a colonial people, except when colonial protest rose to fever heat.<sup>18</sup> The present writer has endeavoured to show, in the earlier sections of this book and in *British Imperialism and Australia 1783-1833*, the typical narrowness of the British policy for Australia and the involuntary nature of its periodic amendment. Looking at the history of this policy from a standpoint in the middle years of the nineteenth century, we find that drastic change came only when the stature of the colonial economy was great enough to affect perspective relations in the imperial landscape.

Recognition of the increased stature of Australia dates from the 1840's. First, the act of 1842 which authorized part-elective councils for New South Wales and Van Diemen's Land was the British response to the dangerous Australian echo of the old colonial cry, 'No taxation without representation.' Then Australia reached the position of being the chief supplier of the British woollens industry (1845), and within a little more than a year Britain conceded by an Act of Parliament (1846) and an Order in Council (1847) the Australian squatters' claim to *de jure* recognition of their right to Crown land which they held *de facto*. In a year or two more, representative political institutions were conceded (1850). Shortly afterwards (1851), gold in large quantities was discovered in Australia, to the very great advantage of English economy, and then the economic basis of responsible government was granted (1855)—that is the right to legislate for the disposal of Crown land.

But this series of vital changes, made over less than half a generation, had barely begun when the colonies were meeting the difficulties of economic depression, and it was precisely during that depression or in the years of recovery after it, that British statesmen attempting to cope with dire depression in England and Ireland,

18 A good illustration of this persistent attitude is given by Kathleen Fitzpatrick in her paper, 'Sir John Franklin in Tasmania' read at the A N Z A A S Congress at Canberra 1939, and printed in the *Journal and Proceedings* of the Royal Australian Historical Society vol. xv part iii, pp. 213-226. At pp. 215-216 she writes discussing the appointment of Sir John Franklin as Governor of Van Diemen's Land in 1836, in succession to Colonel Arthur, 'Franklin's appointment to succeed Arthur was a manifestation of the spirit of the age'. It was necessary for the Colonial Office to make concessions to the reforming temper of the time, but it did so without conviction. Arthur, who understood his masters, wrote on his return to England, 'Whatever men have the reins of Government in this country, although they may now and then be driven to slacken them at home, I am persuaded decisive conduct abroad is what they expect and wish' (*Arthur Papers*, Arthur to Gregory, 9 November 1837).

'Franklin's appointment was a concession to the groans of the Tasmanians, the free colonists whose outcry against Arthur's despotism could no longer be ignored. But the Colonial Office shared Arthur's view of the free colonists as being troublesome intruders in a colony which he regarded as 'an extensive gaol to the Empire'. Franklin did not recognize his appointment as a mere piece of political by-play: he took himself seriously as the free colonists' governor.' *c.f.* the same writer's 'Mr Gladstone and the Governor, The Recall of Sir John Eardley-Wilmot from Van Diemen's Land 1846,' in *Historical Studies—Australia and New Zealand*, vol. 1, no. 1, pp. 31-45.

demand of the colonies help which they were incapable of giving. The circumstances have to be noted. Lord Melbourne's second ministry fell after the defeat of the Whigs or Liberals at the ordinary general election in mid-1841, and Sir Robert Peel, who was returned at the head of a Conservative majority of the House of Commons, became Prime Minister. Peel faced no easy administrative task, as year by year after 1841 the indices of prosperity pointed lower and lower until in 1844, for example, the average of wholesale prices stood 25 per cent below the 1839 level. After a slight recovery in 1845, business conditions in 1846 were worse than in 1844. In fact, before 1845 was out a sequence of events began which would end with the abolition of the old system of tariff protection in England, typified by the Corn Laws passed in 1814 and 1815. Not imperial sentiment or prayers to the Queen,<sup>19</sup> but a potato bug, brought about free trade. The *Annual Register* of 1846 noted<sup>20</sup> the incidence of disease in the potato crop throughout the British Isles, the failure of the crop was having a bad effect on the lower classes—the potato was the staple food of the great majority of the inhabitants of Ireland, who formed thirty per cent of the United Kingdom population. Here was an opportunity for the Anti-Corn Law League. The iron on which it had been hammering since the 'thirties was now hot, and Richard Cobden and his associates in the Commons struck for free trade, demanding cheap bread for the poor in their misery—demanding, to put it in another way, the removal of the Corn Law protection of agriculture, the cost of which manufacturing industry had to bear. Distress throughout the country became so extreme that in November 1845 Peel resigned, at a loss how to deal with the situation in conformity with his party principles. The Liberal leader, Lord John Russell, tried unavailingly, from 26 November until 20 December, to form a ministry that would command the Commons. Then Peel returned to office, pledged to free trade in corn, the opposite policy to that for which his party had stood. Ironically, the only defection from his former ministry on the issue was that of Lord Stanley, the ex-Whig. Peel met parliament on 19 January 1846, and on 27 January, in a speech<sup>21</sup> now historic, he proposed a fairly rapid

19 The reference is to such comments as Grenfell Price's note that in the first half of the 'forties South Australia, which did not share the North American preference in the British Customs scale, 'vigorously assisted in the struggle for the repeal of the Corn Laws' (*Foundation and Settlement of South Australia*, p. 227). It is not this or any similar fact that is denied here, but the inference that any colony's need of a British market for grain was of significance in determining Peel to introduce free trade.

20 (*History of Europe*, pp. 1 *et seq.*)

21 *Parity Debates*, 3rd series, vol. 73, 1846, the speech is digested in the *Annual Register* 1846 (*History of Europe*, pp. 29 *et seq.*), and salient extracts are quoted in *English Economic History Select Documents*, by A. W. Bland, P. A. Brown and R. H. Tawney, pp. 705-708, London, Bell, 1914. For Disraeli's speech on the change of class balances involved, *vide* Bland, Brown and Tawney, *loc. cit.*, pp. 709-711.

reconstruction of the fiscal system of the United Kingdom. Already, as English factory manufacture grew, duties on raw materials for the factories had been removed one by one: for example, the duty on colonial wool went in 1828; and now in 1846 only two raw materials, tallow and timber, were subject to duty. Peel proposed a reduction of these, a reduction of duty on foreign textiles, and the removal of all duties on agricultural produce used as food, by a process which would be completed within three years. For the present, a series of duties graduated according to the ruling market prices would be imposed on grain, the maximum duty on wheat would be 4s. a quarter when the price stood at 54s.—a great advance on the fifty-year-old arrangement under which foreign wheat was altogether excluded while the English market price remained below 80s. a quarter. The House of Commons passed Peel's bill on 11 May 1846, and shortly afterwards the Corn Law Repeal Act (9 and 10 Vict., cap. 22) became law.<sup>22</sup> It was the end of an epoch. The interest of the manufacturers had at last superseded the interest of the landed gentry as the dominant factor in determining the polity of England. Peel resigned on 29 June.

Calamities continued to press on the ministry—Lord John Russell succeeded Peel—for if the potato crop of 1845 was very poor, next year's was worse, with the sequel that the grain markets reached a state of furious activity as speculators moved foreign breadstuffs into England, and English and foreign breadstuffs into starving Ireland, in endeavours to take advantage of the favourable situation. Wheat prices rose fast in the winter of 1846-7, from 60s. 3d. a quarter in December to 72s. 10d. in February (compared with 54s. 7d. in February 1846), 88s. 9d. in May (*cf.* 1846, 55s. 9d.), and a peak of 92s. 10d. in June (*cf.* 1846, 52s. 1d.).<sup>23</sup> Feavearyear records<sup>24</sup> that the top price in June was at least 110s. After this month there was a break in prices, and the monthly averages in the latter part of 1847 do not differ much from the averages at corresponding dates in 1846. Grain speculation had in fact broken down in July-August 1847, when leading firms of corn dealers became insolvent, among them W. R. Robinson & Company, the senior partner in which, was, at that time, governor of the Bank of England. Besides the grain trade dislocation, other influences were

22 W. Page's figures in *Statistics for the British Empire from 1815*, pp. 216-217, show many peaks of wheat and therefore bread prices, which would have been reduced a good deal had foreign wheat had freedom of entry. In 1817 wheat stood at 96s. 11d. a quarter, with bread at 14 3d. a 4-lb. loaf in London, by 1825 the prices were 68s. 6d. and 10 8d., 1839, 70s. 8d. and 10d. The average price of wheat in England in 1846 was 54s. 8d. a quarter, and bread was 8½d. in London, in 1847 the prices were 69s. 9d. and 11½d.

23 There is a complete table of monthly averages 1846-47 in the *Statistical Abstract for the United Kingdom 1844-58*.

24 *vide* his *The Pound Sterling*, pp. 251-266, for a close account of the events leading up to the economic crisis of 1847.

bringing commercial crisis near. Notoriously, dealing in railway stocks on a large scale had the effect of 'freezing' quantities of capital in companies in flotation or in lines under construction. In two years from 1845 nearly three times as much capital was sunk in railways as was thus applied in the railway boom of the 'thirties, when the amount may have been £70m.<sup>25</sup> Much of the investment was placed in foreign railways, and calls on English shareholders occasioned or accentuated a drain of gold from England. This underlined a difficult situation by depleting the Bank of England's reserves and making it chary of discounting speculators' bills. The English credit system was not so constituted that it could cope with the situation of a general arrest of speculation in the summer of 1847, and Peel's Bank Charter Act of 1844, by which the note issue department of the Bank of England was separated from the banking department and was not to issue notes beyond certain limits, had at first an effect of restricting the bank's ability to deal with business crises. For the banknote circulation was not co-extensive with the currency—cheques and bills, equally, were currency—and while the banking department of the Bank of England was free to engage as it did in competitive discount business, a restriction upon the note issue department could not set off the bank's tendency to encourage boom by liberal discounts, and then induce crisis by a sudden restriction of such credit. In fact within three years of the passage of the 1844 Act the bank was conducting its business in just this way, with the upshot that it played a large part in accentuating the crisis which followed the boom in grain and railway dealings. For a while after the 1839 crisis the bank had held aloof from discount business, but in September 1844, the month after the separation of its departments, it re-entered into competition by reducing its discount rate from 4 to 2½ per cent. In four months to April 1847, the bank reserve fell by more than two-thirds to £3m., as gold drained out of England to meet calls on railway shares and to pay for grain imports, but the bank did not increase its rate to a restraining 5 per cent until 10 April. The directors tried other expedients during the next few months, but their final drastic refusal of most advances had the immediate effect of worsening the situation. Three banks failed, and on 23 October the bank was notified by the government that it might increase its fiduciary issue above the legal maximum. This was not found necessary, but for some time afterwards the bank was charging 8 to 9 per cent on advances.

While the banks, and business generally, were thus experiencing the rigours of a crisis, government expenditure mounted as attempts

were made to alleviate the desperate condition of the hundreds of thousands of workless in England and Ireland. An act (10 Vict, cap 9) authorized a national loan of £8m, and expenditure from revenue during the year was nearly £4m higher than it had been in 1846 or would be in 1849. The burden of public relief of distress was heaviest in respect of Ireland, and it is noteworthy that the list of United Kingdom public statutes in 1843 begins and ends with groups of Irish measures. 11 & 12 Vict, cc 1 and 2, dealing with public works and outages respectively, cc 131-133 dealing with disease, law courts, and savings banks. And it was in Ireland that unrest was greatest. On 10 April 1848, the Chartist 'Physical Force' wing demonstrated in London while Feaguis O'Connor, their Irish leader, presented a petition, signed by millions, praying for the People's Charter, but on that day William Smith O'Brien said hardily in the House that he had been 'instrumental in asking his countrymen to arm,' and a little later he and his fellow break-aways of 1846 from Daniel O'Connell's constitutionalist Repeal Association made an insurrection in Ireland. (Among those who took part with him in the founding of the Irish Confederation were Charles Gavan Duffy, Thomas Francis Meagher and John Mitchel. All four were soon to be figures in the Australian scene.) O'Brien's rising was put down and the leaders were tried for their lives.

These closing years of 'the hungry' forties' were, it becomes clear, years in which the United Kingdom economy was subjected to great strains—in 1847 twenty times as much gold left England as had been exported in 1845, and the value of United Kingdom produce exported in 1848 was 9 to 10 per cent less than in 1846 and 1847. And during these bad times judicial convictions, especially in Ireland, reached new high levels. These things made the application of the standing imperial policy for the Australian colonies a matter of urgency. Poor persons, convicts or not, had to be got rid of—more of them, and at speed. We shall see how this motive actuated British Conservative and Liberal governments in their policies for Australia in the 'forties.

### III *The Pastoral Labour Supply the British Wool Market*

Most of the explanation of the British policy for Australia in the years 1841-50 is to be found in the implications of the fact that trade was so bad in the period that the average cost of living in England then was as low as it had been in 1790 or 1782, when the industrial revolution had made only a faint impress on English standards. Again, most of the explanation of the failure of British statesmanship in respect of Australia is to be found in the implications of the fact that in the years 1841-50 Australia's staple export trade

in wool, a trade with England, bounded ahead, after a brief standstill during the colonial economic crisis. English wholesale prices (Jevons-Sauerbeck index; 1900 · 100) fell from 142 in 1841 to 125 in 1842 and 115 in 1844, rose to 130 by 1847, and then fell to 107 in 1849 and 1850. This is an indication of the economic background of the social troubles experienced in the United Kingdom in those perilous days. But over the same period, at least from 1841 or 1842, the Australian wool export to the United Kingdom grew from 12 million lbs. to 39 million lbs., while the total United Kingdom wool import increased from 49 to 77 million lbs., and the German share of the trade fell from 22 to 9 million lbs. That is to say, the Australian share of the United Kingdom wool import, which was just under 25 per cent of the total in 1841 or 1842, was more than 50 per cent by 1850, the English woollens industry had increased its consumption by half but the Australian contribution to it of raw material had been multiplied by more than three.<sup>26</sup>

Broadly, an effect of the condition of depression which obtained in the United Kingdom was a series of imperial attempts to force the Australian colonies to accept convict and other surplus labour, and an effect of the Australian pastoral success (complicated certainly by the economic dislocation in the colonies in the first half of the decade), was to render those attempts nugatory, where they ignored the actual position in Australia. It is important that these factors should be understood, for what we are considering at this point is the last phase of the sixty-year period during which the imperial government tried to write across the colonial ledger a series of entries—*English domestic troubles. Account paid*—as if the items entered by developing Australia were without significance. However, it is not surprising that the homelands, at their sorry pass in the 'forties, should have resorted to desperate stratagems. In England and Wales alone, about £5m. a year was being spent to relieve a million to a million and a half paupers (out of a population of 16-17 millions), and in 1850 the vast majority of recipients of relief were still outside the Poor Law unions, in spite of fifteen years' effort by the commissioners at Somerset House to withhold relief from all but the helpless in institutions. And in addition to more than a million English and Welsh paupers, at the end of the decade, there were 80,000 Scots and 620,000 Irish to succor.<sup>27</sup>

In 1843 the ratio of paupers per 10,000 of the English and Welsh population was the highest for the century, 945, compared with 735 in the bad year of 1839 and 574 in 1850, and in 1844 and 1845

<sup>26</sup> The statistics necessary for this comparison may be collected from *Stat Abstr.* 1844-58, and Page, *op. cit.* II, pp 140-41, 148-49.

<sup>27</sup> *Stat. Abstr.* 1844-58

there was practically no improvement. Here we pick up the thread of the emigration and convict transportation policies which British ministries, banking on the squatters' urgent need of a larger labour force (after the brief era of unemployment, chiefly in Sydney, in 1843), tried to impose on Australia. A difficulty was that, just when English need of an emigration terminus was greatest, New South Wales had no land revenue, and therefore no 'emigration fund,' so that assisted emigration was suspended in 1843 (and again in 1846 and 1847). Similarly, assisted emigration to South Australia was suspended from 1841 until 1844. And neither Van Diemen's Land nor Western Australia was capable of receiving many immigrants. Again, the number of convicts dumped in Australia (Van Diemen's Land) in 1843 was much the same as in 1841, a year in which more than 20,000 assisted immigrants had entered New South Wales. But since 1841 the number of English paupers had increased by a quarter of a million, while total emigration from the United Kingdom to all countries had fallen off by more than 60,000 (or 50 per cent). Something had to be done. So it fell out that Peel's Secretary of State for the Colonies, Lord Stanley, wrote to the governor of New South Wales, Sir George Gipps, requiring the colony to open its gates to the English poor. Stanley announced<sup>28</sup> that bounty emigration to Australia would be renewed, to the extent of 4,000 'statute adults,' that is, persons over fourteen years. The system would be modified. Individuals would not receive bounty on emigrants whom they had nominated, but the business would be placed in the hands of English contractors and all bounty would be paid in England. Of course New South Wales had no emigration fund—the banks had failed four months before Stanley wrote, and though he did not know that he was well aware that land sales, the source of emigration finance, had been negligible in the last two years—but the colonial government might issue 6 per cent debentures against the land fund.

This fantastic enterprise did not come to much. About 3,000 immigrants<sup>29</sup> were received in 1844 and 1845, when sales of Crown

28. Stanley to Gipps 17 September 1843 *HRA*, I, VIII, pp. 136 *et seq.*

29. In 1844, 2,726 immigrants, in 1845 497. For an account of the first shipload under the new Bounty scheme, *vide* Gipps to Stanley, 14 March 1844, *ibid.*, pp. 463 *et seq.* The Elizabeth had sailed from Liverpool for Sydney on 3 October 1843, carrying 48 families, 67 single girls and 62 bachelors, equivalent to 262½ statute adults, as a consignment by William Smith & Sons of Liverpool, in part-fulfilment of their contract with the Land and Emigration Commissioners to supply 1,500 statute adults for delivery at Sydney and Melbourne. An Immigration Board of three members, in Sydney, inspected the arrivals to determine whether bounty of £18. 7s. 6d. per statute adult should be paid. All but seven claims were allowed, the exceptions including Sarah Bigley, who had been contracted for as an unmarried female and had arrived pregnant, and Alexander Waddell, who had been contracted for as a farm labourer but who from his handwriting was evidently of higher social status. (In the 'forties, of Englishmen and Australians over 21 years of age, one out of three was unable to write, of women over 21, one in two, *vide Analytical View of the Census of 1846*, by Ralph Mansfield, Sydney, Kemp & Fairfax, 1847—copy in *Australian Pamphlets*, vol. 2, in Public Library of Victoria.)

land yielded £26,000, and £55,000 was spent on immigration; and it had to be recognized at Whitehall that the colony could not find finance. Emigration was again suspended. However, if the colonies could not absorb free immigrants perhaps they might receive forced ones. Stanley, in July 1844, sent a circular despatch to the administrations at Sydney, Melbourne and Hobart, notifying them that one aspect of a new penal scheme was that

convicts sentenced to comparatively short periods of transportation should undergo the penalty of seclusion in the reformatory prisons established at Parkhurst and at Pentonville. That term accomplished, it was intended that they should be sent to Van Diemen's Land, the better conducted to receive at once tickets of leave, the others to be placed in the probation gangs or among the holders of probationary passes.<sup>30</sup>

That had been the intention, but it was now found that Van Diemen's Land, far from being in a condition to absorb young ticket of leave men from the English reformatory prisons, could not give work to its own ex-convicts. Looking for a way round this difficulty, the imperial authority saw 'no sufficient reason why the better class of prisoners . . . should be transported as convicts at all.' They could be sent to Australia, Stanley wrote, 'as Exiles' on conditional pardons, that is, under an obligation not to return to Britain until after the expiration of the term of the original sentence. Twenty-one exiles were to go forthwith to Port Phillip in the care of W. H. Yaldwyn, who had undertaken to obtain a year's work for them. Stanley said that the colonists must not oppose this reversal of the policy of 1840, when transportation to New South Wales had been abolished. If the colonial labour market was dull, then the exiles would be accommodated in 'a depot of labourers' which the New South Wales authorities should establish, there, they should 'raise enough for their own subsistence,' and be drafted into employment according to the demand for their services. There was a frantic undertone in this remarkable despatch, and at one point Lord Stanley said flatly,

Her Majesty's Government held it indispensable that within the Australian colonies receptacles should be found for all the convicts and exiles who may be sent from this country in execution of judicial sentences. This is so momentous an object of national policy that we can acknowledge no conflicting motive as of sufficient importance to supersede it.

And, as an earnest that Her Majesty's Government would stand no nonsense, the *Royal George* was on its way with the first cargo of 'Pentonvillains'; the ship arrived at Port Phillip on 16 November.

30. Stanley to Gipps, 27 July 1844, *HRA*, I, xiii, pp. 598 *et seq.*, also sent to La Trobe at Melbourne and Wilmot at Hobart cf. Kathleen Fitzpatrick, *op cit.*, *Historical Studies—Australia and New Zealand*, vol. 1, no. 1, pp. 39-40.

The arrival caused some stir,<sup>31</sup> but the same circumstance which frustrated the attempt to force statute adults on the colony prevented the successful transfer of exiles. The attempts were to be renewed a little later, when rising wool prices and a larger wool export were bettering the economic position in the colonies. But before that happened, the colonists themselves had made an effort to put their squatting house in order.

Two imperial acts of 1842 had been passed to reorganize the political and economic constitution of the colonies. The Australian Lands Act (5 and 6 Vict., cap. 36) raised to £1 per acre the upset price of Crown land for auction in any Australasian colony, and the New South Wales and Van Diemen's Land Government Act (5 and 6 Vict., cap. 76) authorized Legislative Councils composed of 36 members, of whom 12 should be nominated by the governor and 24 elected by £20 householders and persons possessing £200 freehold. The first act provided that half of the Crown land revenue should be applied to immigration, the second that half of the police expenditure should be met from the colonial revenue and half by district assessments, elective district councils were provided for by the government act, but such bodies, which it had been contemplated would make the district assessments, were not set up. In fact, neither measure was well received in the colonies. The property qualification for electors was resented, but the main objection was to the increase of the upset price of Crown land. The new Legislative Council lost no time in appointing a committee to investigate the Lands Act (August 1843), and the committee reported that £1 per acre was too high an upset price, and reported an objection, now, to the whole principle according to which the land fund was an emigration fund. The new legislators wanted, instead, a system somewhat akin to one which had been used twenty years earlier, they thought that buyers of Crown land, newcomers to the colony, should be given a rebate of purchase money to the extent of £80 in the case of a cabin passenger brought in, £40 in the case of an 'intermediate' passenger, and £25 for each proletarian in the steerage. Reporting<sup>32</sup> this strange proposal, Gipps, 'no blind follower' as he said of Whitehall's accepted 'theory of systematic colonization,' gave a very perspicacious account of the economic base of the colony. He had objected successfully to proposals to abolish the auction system, and he believed the Whitehall opposition to 'dispersion' to be nonsensical; in his view the encouragement of the wool producers, but not by the permanent alienation

<sup>31</sup> *vide* article by Professor Ernest Scott, 'The Resistance to Convict Transportation in Victoria 1844-53', in *Vict Historical Mag*, vol 1, no 1, January 1911, for an excellent description

<sup>32</sup> Gipps to Stanley, 17 January 1844, *H.R.A.*, 1, xxiii, pp. 336 *et seq*

to them of land which might serve other purposes better, ought to be the principle of regulation of the colonial economy. He believed that it would be best to maintain a high minimum price for Crown land, while licensing squatters to graze their flocks outside the limits of location. Still, it was a fact that a vast majority of persons of all classes' objected strongly to the £1 minimum lately decided upon by parliament in England. A little later, reporting<sup>33</sup> the appointment of a committee of the Council on new land regulations which he had gazetted, the governor said that the object of the committee-men—all seven were members of a Pastoral Association formed recently—was to force the adoption of a low minimum price and the confirmation of squatting occupation by long leases carrying a pre-emptive clause, that is, the lessee's first right to buy the land occupied, at 5s per acre.

The occasion of this committee was the publication by the governor on 2 April 1844, of amended squatting regulations.<sup>34</sup> Reviewing the pastoral extension, he pointed out that the stations were scattered along a line of more than a thousand miles of south eastern Australia, there were now nearly 10,000 people beyond the old boundaries, and they had more than three million sheep and half a million head of cattle with them. Some squatters held huge areas on a single licence of £10 a year while others paid as much in respect of a little run. To redress such anomalies, and at the same time to consolidate effective pastoral settlement in the newly occupied areas, Gipps proposed these regulations in a Government Notice of 2 April.

- 1 At the request of any occupier of five years' standing the Colonial Government might give him the right to buy 320 acres as a homestead site. The selection would be offered at auction from £1 upset, but the occupier would be protected by the proviso that if another bought the land, he should have to pay the occupier the value of the improvements.
- 2 Runs should be limited in maximum length to seven miles, with not more than four miles of water frontage if a run carried more than 4,000 sheep or 500 head of cattle, the squatter should pay a licence fee additional to the annual fee of £10.

Protest from the squatting community was immediate. A defence committee was formed at a meeting in Sydney,<sup>35</sup> and on 17 September the Legislative Council presented an address in which they

<sup>33</sup> Gipps to Stanley 9 July 1844 *ibid.* pp. 659 *et seq.* The report of the committee is in NSW V & P 1844.

<sup>34</sup> Gipps to Stanley 3 April 1844 *HRA* I xxiii p. 507 *et seq.*

<sup>35</sup> W. C. Wentworth, Benjamin Boyd who held twenty-one stations aggregating 381,000 acres on eight annual licences and Charles Cowper who next month was appointed chairman of the Legislative Council committee of enquiry into Gipps's regulations were leading members of the committee set up at a squatters' meeting a week after the publication of the new regulations *vide* Gipps to Stanley 1 January 1844 *HRA* I xxiii p. 603.

denounced the new regulations as 'impracticable in principle and oppressive in detail,' and demanded their repeal. The licence fee ought to be reduced to a nominal sum or abolished. The squatters had their way, or near enough. By petition from the colony and by deputation in London, they prevailed on the imperial authorities (who had to look to this class to devise or work a scheme to shift surplus British labour to Australia) to endorse their point of view. On 9 March 1847, an Order in Council<sup>36</sup> under a new Australian Lands Act 1846 (9 and 10 Vict, cap 104) gave them leases and pre-emptive rights. This measure originated the monopolistic holding by pastoralists of much good agricultural land, a situation which occasioned difficulty when responsible governments in the colonies, half a generation later, tried to settle a large new population on farms (*vide* Chapter V, 11). The Order in Council classified lands as unsettled, intermediate, and settled. In districts classified as unsettled, fourteen year leases could be given for the use of land for pastoral purposes, a minimum rental of £10 a year would be charged, with an additional rent of £2 10s for every 1,000 sheep in excess of 4,000. All present licensees were eligible for such leases on the completion of a year's occupation under licence. Eight-year leases could be given licensees occupying land in 'intermediate' districts, subject to sixty days' notice that the land would be offered for sale, one year leases could be given in the settled districts, with the right of free depasturing on adjacent Crown land but subject to dispossession at any time when the land might be put up for sale. In effect, those who had been wont to call themselves the pastoral tenants of the Crown, were now secured in their tenure.

It was now for the squatters to give a *quid pro quo*. How many immigrants and convict transports would they take from the United Kingdom? Negotiations had been reopened in the course of the pastoralists' struggle against Gipps's regulations. In April 1846, Lord Stanley required the new governor, Sir Charles Fitz Roy, to get the Legislative Council's view on a scheme for the despatch of convicts to New South Wales after a term of probation in one of the new model prisons in England.<sup>37</sup> The governor replied in November, enclosing colonists' petitions against the renewal of transportation in any form but conveying that a committee of the Council had reported in favour of resumption, subject to a

<sup>36</sup> Reproduced in *Select Documents on British Colonial Policy 1830-1860* ed Kenneth N. Bell and W. P. Morell (Oxford: Clarendon, 1928) and in *HRA* 1 xxv. After the Order in Council the NSW Legislative Council passed the Act 11 Vict. No. 18 (17 Sept 1847) to continue the assessment on stock outside the boundaries. The poll tax was 1/6d per sheep 1 3/4d per head of cattle 3d per horse.

<sup>37</sup> The course of negotiations in this matter between Whitehall and Sydney is recapitulated in the despatch Grey to Fitz Roy 10 Nov 1849 *vide* NSW V & P 1870 vol 11.

British undertaking to send as many free emigrants as convicts and to the further condition that the convicts sent should be subject to control, that is that they should be on ticket of leave, carrying an obligation to report to the police at intervals, rather than on conditional pardon. Earl Grey (the younger, formerly Viscount Howick), who had succeeded Stanley and W. E. Gladstone at the Colonial Office, after Peel's government gave place to Russell's, informed Fitz Roy by despatch of 3 December 1847, that he could not accede to the whole of the conditions, and especially, he could not assent to any renewal of assignment. His despatch crossed one dated 25 September, in which Fitz Roy advised that the Council had repudiated its committee's report. Next April, however, after the specific proposals of the British government had been considered, the Council agreed to the terms. But those terms, providing for an appropriation of British revenues to subsidize emigration to those colonies which would receive convicts were no longer practicable—Grey notified Fitz Roy by despatch of 10 November 1849—because of the British government's financial straits. Accordingly it had been decided to send convicts only, until the Council had given its latest view.

In December 1849, the *Bangalore* sailed with 300 convicts for Moreton Bay, with thirty army pensioners as a guard. These pensioners,<sup>38</sup> and the wives and families of some of the convicts sent, whose passages were charged to parliament's 1849 vote of £30,000 to finance free emigration to colonies receiving convicts, were almost the only set-off to the convicts. The New South Wales Legislative Council had sent an address to the Queen, in June 1849, objecting to the resumption of transportation, and a year later Fitz Roy transmitted to the Council Grey's reply, accepting their objection. But already, in 1844-9, 1,727 'exiles' had been sent to Melbourne, Geelong and Portland from England, in addition to 543 freely or conditionally pardoned convicts from Van Diemen's Land and (probably)<sup>39</sup> several thousand ex-convicts from there. Only ticket of leave men were sent under the revised scheme of 1849—the Pentonvillains on conditional pardons had added considerably to the Port Phillip gaol population—but when the *Randolph* arrived at Melbourne with convicts in August of that year the superintendent of the settlement, Charles La Trobe, sent the ship on to Sydney, similarly the *Hashemy*, with convicts, was sent on in May 1850. The public protest which was made in Sydney was so angry that

38. The U.K. Acts 6 & 7 Vict., cap. 95 (14 August 1843) and 10 & 11 Vict., cap. 34 (25 June 1847), passed at seasons of civil commotion, made regulations for the enrolment of army pensioners as special constables on a six months' engagement, and provided for their status in British colonies to which they might be sent as convict escorts.

39. *vide* Ernest Scott, *loc. cit.*, and N.S.W. V. & P., 1849, vol. 1.

the imperial authorities abandoned the attempt to send convicts or disguised convicts to New South Wales (including those areas under New South Wales government, which were subsequently the colonies of Queensland and Victoria—Moreton Bay and Port Phillip). Of 48 petitions to the Legislative Council in 1850, in respect of the convict traffic, 40 represented opposition, and these carried 36,589 signatures, compared with 525 signatures on petitions for resumption. Many landowners signed petitions against transportation, but the few petitions in its favour were from squatters and landowners. Among them were W. C. Wentworth and James Macarthur, leaders of the Pastoral Association's campaign which had resulted in the Order in Council of 1847.

The transportation question settled, there remained a possibility of shipping a proportion of the unconvicted poor to Australia. Irish poverty was a particularly vexing problem in 1849, after famine, and some part of the burden of more than 600,000 dependants on the state was lightened by the despatch to Melbourne and Sydney of more than 3,000 Irish orphan girls, in two years from mid-1838, they readily found work. In England, 'the distress which a redundancy of unemployed labourers created . . . during the winter of 1847-8'<sup>40</sup> led to the formation of a Society for the Promotion of Colonization with a widespread organization and noble and very respectable backers. From Scotland, that indefatigable divine, Dr. John Dunmore Lang, brought Presbyterians to balance the Roman Catholic emigration from Ireland, but his two ventures of 1848-9, in the emigrant ships *Fortitude* and *Lima*, were somewhat questionably financed,<sup>41</sup> and at one time it was proposed to prosecute the great man for obtaining money by false pretences. But the main stream of emigration in the three years, 1848-50, when more than 16,000 emigrants were assisted to the Sydney District and more than 13,000 to Port Phillip, was controlled by the Colonial Land and Emigration Commissioners, who chartered 122 ships to move this great company.

It is of interest that the quality of the immigration of this period was somewhat different from that of 1831-41, when the revenue from Crown land sale had been applied to bringing indigent persons to Australia. Now, however, it was announced that 'persons in the habitual receipt of parish relief cannot be taken,'<sup>42</sup> the reasons

<sup>40</sup> *Immigration Papers*, 13 June 1850, in *V & P*

<sup>41</sup> *vide* for an account, Attorney-General and Solicitor-General of N.S.W. to Colonial Secretary of N.S.W., 8 July 1850 (*V & P*, 1850, II), Fitz Roy to Grey, 19 May 1849, J. D. Lang to the under-secretary for the colonies, 12 September 1848, Land and Emigration Commissioners' Report, 30 November 1849 (*Immigration Papers*, 13 June 1850)

<sup>42</sup> Government Emigration Office regulations, May 1849, in *Immigration Papers*, 13 June 1850. For a discussion of the various immigration schemes, *vide Immigration into Eastern Australia 1788-1851*, by R. B. Madgwick, Chapters VII-X, London, Longmans, 1937

for the policy change being that neither the imperial nor the colonial government was now in a position to finance the migration of persons who were utterly without means. (Sales of Crown land in New South Wales picked up from 1847, but the total receipt from that source in 1848-50 was only £290,000, or £27,000 less than the receipt for 1840. Of the £290,000, £218,000, or about the balance after administrative expenses had been met, was spent on immigration. Something like this sum represents the colonial contribution towards the cost of the migration of 30,000 persons in 1848-50, compared with 20,000 in 1841 when about the same amount was laid out by the government.) As the governments could not meet the whole cost of outfitting and shipping migrants, respectable working folk and their rich patrons must find the balance. At the London end, the British authorities agreed<sup>43</sup> that deposits paid by prospective buyers of Crown land could be devoted to emigration, and 80 per cent of the whole payment used for the immigration of persons nominated by the buyer; £100 would cover the cost of sending five or six persons. This was an arrangement similar in principle to that which the New South Wales Council had suggested in 1843. Caroline Chisholm's Family Colonization Loan Society,<sup>44</sup> the new Colonization Society already mentioned, and other charitable agencies could engineer private schemes. Otherwise, persons in certain categories might be accepted for passage in a Commission emigrant ship on their making set payments. Farm labourers and domestic servants should pay £2 if under 40 years of age, and greater amounts if older (£13 in the case of persons of 60 or more years of age); 'country mechanics' should pay from £5 to £15 according to age, and 'others approved,' £7 to £15. Further, 'remittance' regulations were published in late 1848, under which colonists wishing to import labour of classes not covered by the Commission scheme, could contribute £8 towards

43 *Immigration Papers* 13 June 1850

44. Caroline Chisholm had arrived in Sydney from India Van Diemen's Land and South Australia at the end of 1838. In the period of large scale immigration 1839-40 she found that no provision had been made for the reception and care of girl immigrants—one batch of 64 girls of whom 22 were penniless landed with 11s 1½d between them (*Caroline Chisholm*, by Margaret Swann, p. 10, Sydney Government Printer, 1925)—and, having persuaded Gipps to allow her to use an old building as a Female Immigrants' Home, she did fine work caring for girls and conducting a 'labour office' in their behalf. Also, in pursuit of her ideal of helping 'to rear a well-fed peasantry' in Australia, she made inland journeys with columns of immigrant workseekers, it is said that 11,000 immigrants had her notice during six years' work.

But perhaps she did her most important work when, returning to England to find it in a condition of extreme depression, she exerted herself, from 1847, to establish a Family Colonization Loan Society. This functioned as an auxiliary of the Land and Emigration Commissioners' scheme by which emigrants should pay a portion of the cost of their emigration. As in the case of the Society for the Protection of Colonization (which began as a Labourers' Relief Emigration Society), the principle was supported by many eminent persons. Mrs Chisholm made facilities for would-be emigrants to put aside small sums with a view of contributing towards the passage cost, and these sums were supplemented by the Society supporters. The F.C.L.S.'s first emigration ship, the *Slams Castle*, sailed for Australia in September 1850.

the cost of each passage, the Land Fund being charged to meet the balance (of about £6 at this time)<sup>45</sup> In short, the colony was paying for most of its immigration from the Land Fund, by private remittances through the Military Chest, and by debentures secured on the Land Fund, and the balance was being met from British public and private sources, including the immigrants themselves

#### iv *Economic Condition of the Australasian Colonies, 1850*

In 1850 the six British colonies in Australasia were counting their emigrants as particularly as they counted their immigrants. For the news of the Californian gold discovery had come, and thousands sailed without delay from Australia and New Zealand. In fifteen months from January 1849, 3,000 persons, or 12 per cent of the population, left for California from Sydney and Melbourne, and it is said that a thousand New Zealand residents went, or 4 per cent of the population.<sup>46</sup> This exodus took place a year or two before gold was discovered in Australia—and at a time when only a small proportion<sup>47</sup> of British emigrants were shipping for the antipodes. It is of curious interest that the occurrence of gold in New South Wales at least, was already known to some, and though in that oldest colony little but coal had been mined, and that in small quantities for local requirements and export to the other Australasian colonies, including New Zealand, in South Australia a single copper mine<sup>48</sup> already employed a thousand men and had in a little over three years paid 1800 per cent in dividends on the original £5 shares, silver lead had been mined in South Australia for nearly ten years, and in 1850 the value of the colony's ore and metal exports was nearly £300,000, from fifty mines.<sup>49</sup> Even the backward colony of Western Australia, with a population of only 8,500 after more than twenty years' settlement, had revealed some lead, zinc and iron,<sup>50</sup> and the Polish geologist, Stuzelecki, had found evidences of many metals in New South Wales and Port Phillip.

<sup>45</sup> *Immigration Papers* 13 June 1850.

<sup>46</sup> *vide* NSW V & P 1850 ii for the NSW immigration agents returns and *The Story of New Zealand* by A. S. Thomson ii pp 171-72. London: Murray 1859. The classes of those emigrating to California are distinguished one from another.

<sup>47</sup> Of 280,849 emigrants who left the U.K. in 1850 less than 6 per cent (16,037) were bound for Australasia; cf. nearly 24 per cent in 1852 (87,881 out of 368,764) the year after the publication in Europe of the Australian gold discoveries.

<sup>48</sup> The Burra Burra mine 90 miles N by E of Adelaide. A company was floated in 1845 to work the deposits there. It paid £220,000 in 3¼ years on its £12,320 capital including three dividends of 200 per cent each in each of the years 1848 and 1850. The amount of ore extracted in 1845-50 was nearly 80,000 tons of which more than 30,000 tons was exported (*Australia As It Is* by F. Lancelotti, a government surveyor ii p. 297 *et seq.* London: Colburn 1852).

<sup>49</sup> Silver lead veins were found in 1841 at Glen Osmond four miles S.E. of Adelaide. Total ore and metal exports from South Australia increased from £127 in 1843 to £283,818 in 1850. *vide* Lancelotti *op cit* ii pp 300 *et seq.* SA Statistics 1850. Return of Mines.

<sup>50</sup> cf. *London Journal* 13 January 1849 which is hard put to find reasons why emigrants should make Western Australia their destination.

When the Californian diggings drew off some of the scanty colonial populations, conditions in the principal colonies, i.e., those that the pastures furnished with a living, were fairly good generally. From an average price for New South Wales wool in London of 1s. 3d. lb., realized in 1846 after gradual recovery from an average of 11·4d. in 1844, prices fell to 1s. 2d. in 1848 and 11d. in 1849, recovering to 1s. 1d. in 1850. But the index of prosperity then was not so much price as quantity variations, and the quantity exported from New South Wales and Port Phillip in 1850 was double that of 1846; even in 1849, the year of bedrock prices, the colony suffered no reverse for the wool export was 70 per cent above that of 1846. There was obviously a very rapid expansion of the Australian capacity to supply the British market, in which German wools had now definitely lost their pre-eminence. A notion of the general position of the colonies may be gained from the following table. (Round figures are given. Victoria, about to be separated from New South Wales constitutionally, is shown separately though it was still Port Phillip or a series of New South Wales districts, and Western Australia is left out of account as insignificant.)

ECONOMIC CONDITION OF THE AUSTRALASIAN COLONIES, 1850

Colony	Population	Acreage in cultivation	No of sheep	No of cattle	Crown land sold	Imports	Exports
		acres	m	m	£	£m	£m
N S W	189,000	146,000	7	1 36	59,000	2 1	2·4
Victoria	76,000	52,000	6	·38	98,000		
Van Diemen's Land	69,000	169,000	1 8	·083	29,000	·659	·614
Sth Australia	64,000	65,000	1	·06	90,000	·82	·545
New Zealand	23,000	29,000	23	·035	8,600	·5*	·3*
*Approximate							

The colonies, then, with about 430,000 population, had something under half a million acres under cultivation; their graziers depastured about 16m. sheep and 2m. head of cattle; they imported goods valued at £4m. and exported their produce to a value of £3·86m. Comparing the stages which the several colonies had reached by 1850: Van Diemen's Land led in extension of farming, with 37 per cent of the total occupied area under cultivation, while New South Wales had 32 per cent and South Australia 14 per cent—a high proportion for a colony only fifteen years old. Per head of population, Van Diemen's Land had 2½ acres under crop, New Zealand and South Australia rather more than an acre, New

South Wales three-quarters, and Victoria two-thirds of an acre. Hence the two most important colonies, growing far short of their own breadstuffs requirements, afforded a market for the farm produce of Van Diemen's Land and South Australia, and even New Zealand. But it was another story in the pastures. New South Wales and Victoria between them depastured four-fifths of the flocks of Australasia—in Victoria 79 sheep ran per head of population (in New South Wales 37, in Van Diemen's Land 26).

New Zealand at this time was made up of half a dozen provinces, soon to be distinguished as such under the New Zealand Constitution Act 1852 (15 and 16 Vict., cap. 72). This imperial act placed local government in the hands of provincial superintendents and councils and set up a General Assembly with the governor of the colony. The provinces were Auckland, Wellington, Nelson, New Plymouth, Otago and Canterbury. Auckland, the pre-annexation trading settlement, had a population composed chiefly of Australian runaways of the last thirty years and more. It was the centre of government and the chief business centre; and being the military base, payment of much of the commissariat expenditure was made through its agencies—the commissariat spent £131,000 in 1850, as compared with £804 in 1841 before the Maori wars.<sup>51</sup> New Plymouth, settled in 1840 by the Wakefieldians of the New Zealand Company, had progressed far enough to be able to export grain to Australia. Four 'pensioner villages' near Auckland housed 500 men of the 'New Zealand Fencibles' and their 1,500 dependants. They had come to the colony from 1847 under a military colonization scheme of a classic kind—their settlements were intended to be at once centres of production and means of defending Auckland against assault by the natives.<sup>52</sup> Wellington, economically the principal settlement, had been settled by the New Zealand Company at the outset in 1839; there, some graziers held land on lease from the native owners and a pastoral industry for New Zealand was born. On the southern side of Cook's Strait, Nelson comprised large areas which were being taken over from large absentee proprietors of the original New Zealand Co. venture. Otago had only lately (1847) been settled from Scotland, and a Canterbury province had its origin when on 16 December 1850, the first of 2,600 arrivals (to the end of 1851) began settlement of a Wakefield Church of England colony.<sup>53</sup>

Many of the original New Zealand landbuyers were speculators

<sup>51</sup> *vide* Thomson's *Story of New Zealand* II, p. 327

<sup>52</sup> Fox (*op. cit.*, pp. 43 *et seq.*) and Thomson (*op. cit.*, p. 166) respectively believed the military pensioner settlement to be a failure and a success.

<sup>53</sup> The Canterbury Association acquired land from the N.Z. Co. for sale to immigrants at £3 an acre. In the first year settlers bought 20,000 acres, but subsequently the association, failing to meet its dues to the parent co., lost its charter.

and not intending farmers, and by the beginning of the 'fifties the population of Nelson, for instance, consisted largely of small proprietors who had got their land as the fallibility of pure Wakefieldianism was demonstrated.<sup>54</sup> From August 1839 to 1844, under the early impulses of the Wakefield colonization of New Zealand, more than 8,000 settlers and labourers had arrived, including more than a thousand persons of substance. These last acquired land from the date (1840) of the first sales held in the Wakefield settlements and the first sale of Crown land held at Auckland, when forty-one town allotments were sold at an average of £595.<sup>55</sup> Then from 1845 military expenditure, which bolstered the infant economy, declined until 1854, and except for the 'Fencibles' no immigrant was assisted to New Zealand until 1848. In that year the first Otago settlers arrived. When, next year, the exodus to California began, a scheme of assisted immigration was again in operation.

At this time Van Diemen's Land drove a profitable trade with the enhanced populations of the pastoral colonies—14,000 immigrants, of whom 12,000 were assisted under the Colonial Land and Emigration Commissioners' Scheme, arrived in old New South Wales alone in 1849-50. But though South Australia, too, was gaining population, Van Diemen's Land's excess of immigration over emigration, in the three years to 1850, was less than 2,000, and in June 1848, a petition signed by 5,000 inhabitants prayed that 12,000 emigrants, farm and station hands especially, should be assisted to the colony to meet the labour shortage.<sup>56</sup> For the economic development of the mainland had by this period given new life to Van Diemen's Land as a food producer and exporter. Actually the colony had more land in cultivation in 1848 than in 1850 (or indeed than in any year before 1856), the decline being attributable partly to labour shortage, especially after the gold discoveries of 1851 on the mainland. But in 1850 Tasmanian wool export, like that of the other colonies, was greater than ever before, bringing in £250,000; and the declining whale fisheries were still able to export oil worth £50,000. Lacking labour, the great proprietors in Van Diemen's Land, as in New Zealand, were selling out to smallholders, and just as the New Zealand Co. in 1848 offered its Otago immigrants 50 acres of country land and 10 of 'suburban' land, and a ¼ acre town allotment, for a small sum,

54 Fox says that 'more than three fourths' of the Nelson landowners in 1850 were absentees (*op cit.*, pp. 26 *et seq.*), and their land was for sale. *vide* Chapter I, for the finding of a committee in 1851 that the majority of those owning land in Nelson were small holders who were not original (company) buyers.

55 *Forty Years in New Zealand*, by J. Buller, p. 371, London, Hodder & Stoughton, 1878. (Buller had gone to New Zealand in 1836 as a missionary to Hokianga.)

56 *London Journal*, 18 Nov. 1848. It was said that 7,800 fresh hands were needed immediately, including 3,000 country labourers, 1,350 shepherds and hutkeepers, 750 female domestics, 400 carpenters and 300 teamsters.

so the Van Diemen's Land Co (now the Van Diemen's Land Agricultural Company) was seeking to dispose of its old grants (*vide British Imperialism and Australia*, Chapter 6 (e), for the establishment of the company) It offered blocks of 80 acres each at Circular Head and Emu Bay in the north west Buyers of a section at Circular Head had an option on a Stanley town allotment of  $\frac{1}{4}$  acre for £20 purchase price, and the buyer of an Emu Bay section could acquire a town allotment at Burnie for £10 The further inducement of a free passage or a £20 gratuity was held out to farmers who would emigrate<sup>57</sup>

Problems of currency and banking were exercising the several colonies as they settled down to what promised to be a pastoral economy qualified in Van Diemen's Land, South Australia and New Zealand by farming enterprise and in South Australia by the production of base metals and silver<sup>58</sup> In New Zealand the governor (Grey, who had been governor of South Australia) was required to set up a government bank of issue, after the failure of the New Zealand Banking Company in 1845 He carried out his instruction by ordinance (No 16, session 7, 12 April 1850), pending the organization of the Colonial Bank of Issue other paper issues were forbidden<sup>59</sup> In New South Wales private notes continued to circulate in quantity, often in engraved form in the likeness of banknotes, and there, too, the desirability of a government bank, with a monopoly of note issue, was discussed<sup>60</sup> But heterogeneous as Australian currency still was—four Sydney banks issued notes, there were Van Diemen's Land and South Australian bank issues, and in Melbourne storekeepers issued their own tokens for small change—banking business was conducted more narrowly now than in the boom days In March 1841, the Sydney banks had held £2.6m of discounted bills, but in March 1850 their holding was only £1.6m Of the Sydney banks the Union and Australasia conducted business in Van Diemen's Land, the Commercial of Sydney and the New South Wales did not, in addition, there were the Van Diemen's Land, Commercial (of V D L) and Derwent banks, of which the first two issued notes

But if the banks were more conservative in policy, after the disasters of 1843, at this epoch just before the gold discoveries

<sup>57</sup> *vide* contemporary prospectuses of the company Several of these with a map of Tasmania showing the co's holdings in the north west (400 000 acres) are bound together in volume in the Mitchell Library Sydney

<sup>58</sup> *vide* S.A. Statistics 1850 return no 20 for subsidiary industries—including six machine manufactories six shipbuilding works—108 in all *cf* 52 in 1848 and 31 in 1843 and 27 flour mills *cf* 25 and 16

<sup>59</sup> N.Z. currency at the time consisted of British coin and notes of the Union Bank of Australia The Union Bank's notes already issued could remain in circulation under Grey's ordinance

<sup>60</sup> *vide* report of the select committee on banking 12 Sept 1850 in N.S.W. V & P 1850, II

colonial enterprise had not lost in venturesomeness. A Sydney University Bill was debated in the New South Wales Legislative Council in 1850 (and fifty-one petitioners<sup>61</sup> found in its proposals disturbing evidence of a godless modern spirit). Again, the Surveyor-General of New South Wales saw no reason why Sydney should not promote a settlement by the Gulf of Carpentaria on Cape York Peninsula. The old arguments for north Australian settlement<sup>62</sup>—imperial strategy and possibilities of trade with the East Indies—were reinforced now by a wish to secure steam communication with England. The P. & O. Company was believed to be on the point of extending to Sydney its England-India-Singapore service, and its ships would need a coaling depot in the north. In New South Wales ferry and coastwise services, steam power had been used during twenty years past, since the launching of the first steamboat on the Parramatta River in 1831, and latterly acts had been passed to appoint and continue a board for the regulation of steam and other vessels registered in the colony.<sup>63</sup> Moreover, mining enterprise in New South Wales had reached a stage at which a strike and a 'tram road' distinguished industrial Newcastle. In 1850 a select committee of the Legislative Council reported on the construction of a 'tram road from the mine called Burwood to the wharf at Newcastle,' and a private act of that year gave Dr. James Mitchell licence to build a tramway from his copper smelting works to the docks. The old-established Australian Agricultural Company, which had a tramway in construction and a strike of coalminers on its hands, had petitioned against leave being given an individual to build a line which, laid beside the company's land, would permit of the carriage of coal from private pits to the ships. But enterprise had its way. Not that Dr. Mitchell had at a stroke converted an animal-using community to the idea of the machine. The select committee had asked an expert witness, 'Would there be any difficulty in stopping a train on a level?' He informed the Councillors, 'A train has an impetus when going on a tramway, and it is difficult to stop it suddenly. The impetu-

61 *vide* NSW V & P, 1850, II, petition of 10 Sept. 1850. The signatories took exception to the proposed exclusion of ministers of religion from membership of the university senate. Further, the petition expressed regret at the existence of an impression that the resources of the University will be almost exclusively devoted to a purely Scientific Education, than which nothing could be more injurious to the higher interest of a free country the population of which is called upon to exercise certain duties connected with the possession of constitutional and representative government. The natural consequence of such an exclusive course of scientific studies... has been recently manifested by the results of the movement in Continental Europe since the beginning of 1848, in which the unfitness of the partially educated classes either to establish or work free institutions was fully shown.'

62 *vide* *British Imperialism and Australia* Chapter 6 (f) and for the 1850 project, NSW V & P, 1850, II, report of select cttee., 19 Sept. 1850. *cf.* 1845 select cttee. on the practicability of establishing an overland route to Port Essington—a north Australian settlement which was abandoned.

63. 11 Vict., No. 3, 24 July 1847, and 14 Vict., No. 32, 1 Oct. 1850. The earlier act required lifeboats to be carried

of a carriage on a tramway will throw down a horse.' But there was 'not the same serious danger on a level as on an incline.'<sup>64</sup>

However, no apprehension of danger to livestock from rolling stock was to deter the colonies from promoting enterprises of mechanical transport still more ambitious than tram roads. On the contrary, the first Australian railway was projected with an intention of facilitating the freighting of wool and other produce of the interior to Sydney and its wharves, and Charles Cowper, who had fought Gipps in the squatters' cause, was the first president of the Sydney Railway Company, which was formed from a provisional committee of September 1848. Construction was commenced in 1850. The Sydney-Granville section of 13¼ miles, completed on 3 September 1855, by the government—which originally had been asked to do no more than guarantee dividends on some of the private capital invested—cost nearly eight times as much as had been anticipated six years before. For in the interim the discovery of gold had made labour scarce and dear. But the developments after 1850 are another story; at present, interest attaches to the magnitude of the undertakings which a colony confident of its pastoral future put in motion. The sheep's back was to bear a university, a railway, the substance of a hundred pragmatic dreams. These things were planned in a colony in which archaic economic systems like the slave-system of the assignment of convicts to private service still survived—in 1851 twenty-four men and nine women were still serving their sentences on assignment, and fifteen convicts from Britain were still working in Sydney for the government on probation for the restoration of their tickets of leave, one of them had been sent out in 1829.

Such contrasts convey a sense of the revolution which the development of the pastures had brought about as it were in the twinkling of an eye. Politically, too, the growing economic importance of the colonies was reflected in the Australian Colonies Government Act 1850 (13 and 14 Vict., cap. 49). This act gave the colonies, except Western Australia (which had fewer than 9,000 people at the time) and New Zealand (which got its Constitution Act two years later), the right of preparing constitutions of their own, and cleared the way for colonial responsible government. Here again, transformation had been sudden; it was only seven years since the colonials or some of them had won after many years of

<sup>64</sup> Report of the select committee on Mitchell's Tramway Bill, 28 August 1850, and *Min Ev* (NSW. V & P 1850 11). The controversy concerning Mitchell's rights is interesting as an early instance in Australia of clash between small independent enterprise and what had been a monopoly. The Act 15 Vict., No. 18 was passed on 22 December 1851, to provide that Mitchell's tramway should be open to the public, it would be free (i.e., passage along the track would be free) to foot passengers and horses. Vehicles might be required to pay a toll of 4d.

effort the right of electing some of their legislators. Now the colonies could constitute themselves as political societies empowered to administer their own lands. And now Australasia offered British manufacturers a market which, though in 1849-50 it absorbed only 3·5 per cent of United Kingdom goods exported, nevertheless absorbed nearly as much as the older British colonies in North America. Their white population was six times that of the Australasian colonies, and they took 4 per cent of total United Kingdom exports. Eight years later (1857-8) Australia and New Zealand bought 9·2 per cent of a United Kingdom export total which was 77 per cent greater than in 1849-50, and the North American colonies bought 3 per cent. Their population was then treble that of Australasia. That is to say, even before the gold discoveries the Australasian communities bought five times as great a value of United Kingdom goods per head as the North American colonies bought, and half a dozen years after the discoveries they bought nine times as much per head. The production and marketing of wool had already won for Australia a high place in the imperial economy, and the mining of gold in New South Wales and Victoria was about to lift the whole of Australasia still higher in that scheme.

## CHAPTER IV

### ECONOMIC CONSEQUENCES OF THE AUSTRALIAN GOLD DISCOVERIES

- i. The Gold Mines of Australasia
- ii. Britain's New Colonial Market
- iii. Capital Import and Public Utilities
- iv. Economic Condition of the Australian Colonies, 1860

#### i. *The Gold Mines of Australasia*

THE pastoral foundation of Australian economy was not displaced, but the social-economic patterns of the colonies were made infinitely more complex, in the years after Edward Hammond Hargraves notified the New South Wales Colonial Secretary, on 3 April 1851, that he had found native gold.

He told the Executive Council a few weeks later,

I was led to search in the neighbourhood where the goldfield now worked is, by my observation of the similarity of the country to that of California . . . I found gold as soon as I dismounted. I was engaged searching for two months. I found gold almost everywhere.<sup>1</sup>

Gold was discovered in Victoria, and a rush began, a few weeks after Hargraves's announcement of his New South Wales find. (In the Port Phillip as well as the Sydney District, gold had been found before 1851.<sup>2</sup>) From these dates, 25m. oz. of gold was mined in the colonies in less than ten years, amounting to more than 40 per cent of the world's output for the decade,<sup>3</sup> and two-thirds of the value of Victorian and New South Wales exports was contributed by the mines. But though in the next succeeding decade (1861-70) Australia produced 19m. oz. of gold, more than a third of world output, the value of Australian gold exported to the United Kingdom was less than one-third of the value of Australian total export trade (gold and commodities, £190m., gold, £60m.)<sup>4</sup> for wool was still king.

Hargraves, a colonist, had been in California, mining, before his return to New South Wales to prospect successfully in the Bathurst district. He was by no means the first to find gold in Australia, but his discovery was of vastly greater importance than earlier

1 12th general report, Colonial Land and Emigration Commissioners, *Lords Papers*, 1852, vol xxxviii, p 370

2. *vide*, e.g. Strzelecki, *Gold and Silver*, p 4, *The Times*, 16 January 1854, Henderson, *Excursions and Adventures in N.S.W.*, i, p vii.

3. *Commonwealth Year Book* figures (1936 Y B., p. 582 24 877m oz out of 61 352m. oz.).

4. *C Y B.*, 1936.

discoveries because it was made at a time when the world's attention was fixed on gold possibilities by the rich yield of the Californian fields, the most important development in gold production for a century.<sup>5</sup> As the Victorian secretary for mines pointed out a little later, speaking of early instances of gold finds in the country,

Long before this it was known to the settlers that gold was to be obtained, for their servants collected it and sold it. Little attention was given to the matter. Men's minds were directed . . . to the finding of good sheep and cattle country, they knew nothing of goldfields, and the discovery from time to time of small pieces of gold was not enough to induce them to turn from their own pursuits. But for the miners of California, we should have remained ignorant of our wealth. The discoveries in that part of America turned the attention of practical men to the search for gold in New South Wales and Victoria, and profitable fields were very soon developed.<sup>6</sup>

It followed that when Hargraves notified the New South Wales government that he had found gold, and asked for £500 for informing the government of the locality, he was favourably received.<sup>7</sup> He named Lewis Ponds and Summerhill Creek, and the Macquarie and Turon Rivers, in the Bathurst and Wellington districts, as having revealed alluvial gold. On 23 May 1851 the government announced that goldmining might be entered upon by persons taking out licences, for which 30s. per month would be charged. The Proclamation of 22 May and Government Notice of 23 May were the first measures of a large body of law regulating the diggings<sup>8</sup> and the minting and exporting of gold. The form of licence, which was followed in Victoria by Proclamation of August, was as follows:

No.

The bearer having paid to me the sum of one pound ten shillings on account of territorial revenue, I hereby license him to dig, search for and remove gold on and from any such Crown land within the county of \_\_\_\_\_ as I shall assign to him for the purpose during the month of \_\_\_\_\_, 185 .

This licence must be produced whenever demanded by me or any other person acting under the authority of the Government.

(Signed)

**Commissioner**

<sup>5</sup> For a comparative discussion, vide *The Economic Development of France and Germany 1815-1914*, by J. H. Clapham, pp. 376 *et seq.*, Cambridge, 1928.

6. *Mining and Mineral Statistics*, by R. Brough Smyth, p 10, Melbourne, Govt Printer, 1866.

7. Hargraves to Deas Thomson (Col. Sec.), 3 April 1851, Thomson to Hargraves, 15 April 1851; Hargraves to Thomson, 30 April 1851. The upshot was that the N.S.W. Government gave Hargraves £500 and appointed him Commissioner of Crown Lands, in the goldfields, at a salary of £500 a year.

8 It might be thought that the terms 'diggings' and 'digger,' as denominating mines and miners, came into use quite naturally as reflecting what mines were and what miners did. But Captain Henderson of the 78th Highlanders held otherwise. In his *Excursions and Adventures in New South Wales*, 2nd ed., 1, p. xix (London, Saunders & Otley, 1854), he wrote that the diggings 'take their name originally from a tribe of American Indians called *Diggers*, who live upon roots, and whose territory, on the track from the United States to California, is called the *Dierrens*'

The licensing system had been suggested by C. H. Green, Crown lands commissioner in the Bathurst district. In country too poor to graze cattle—Frederick Valley, 153 miles from Sydney, near the junction of Lewis Ponds and the Summerhill Creek—a thousand men were washing for gold before the end of May. On 2 June a commissioner arrived at the diggings to issue licences and collect fees. The salaries of clerks in the service of government were raised 25 per cent, and constables were given an extra shilling a day, to restrain them to their duty as the gold fever seized men's minds.<sup>9</sup> Late in June claims were filed on the Turon field, and in July 'Kerr's hundredweight,' consisting of nuggets of gold from a 'pocket' which yielded more than 102 lbs, was discovered by 'an educated aboriginal'<sup>10</sup> near the Turon River, at a point about 53 miles from Bathurst, 18 from Mudgee and 30 from Wellington. Kerr, whose employee the native was, had no licence, but the government permitted him to retain the gold, less 10 per cent royalty to the Crown, and on 5 August a Government Notice provided that licences applied only to alluvial gold-getting and that finders of gold in the matrix should pay 10 per cent of the value to government. Late in May the *Thomas Arbuthnot* had sailed from Sydney for London with the first consignment of the 150m. oz. of gold, worth £600m, which were to be raised in Australia in eighty years from 1851.

Of this huge total, more than 20 per cent was won in Victoria in the years 1851-65.<sup>11</sup> Gold rushes started there before the constitutional separation from New South Wales (1 July 1851) and several months before the inaugural meeting of the Victorian Legislative Council (22 November), and hardly had the New South Wales ferment communicated itself—in June there were prospectors in the Plenty Ranges outside Melbourne, and on the 9th of the month a Melbourne public meeting subscribed 200 guineas to be a reward for the first 'strike' within 200 miles of the town—hardly had the Clunes, Mount Alexander and Buninyong workings been started, before Proclamations were being issued after the New South Wales model. Six weeks after the Council assembled for the first time it passed the Act 15 Vict., No 15, imposing penalties for unlicensed diggings. It seems that the colonies, neither of which had as yet been given control of the Crown lands in its

<sup>9</sup> Lancelott's *Australia As It Is* 1 pp 299, 300

<sup>10</sup> *ibid* p 307

<sup>11</sup> According to R Brough Smyth an early Victorian secretary for mines (*vide* his *Mining and Mineral Statistics* p 38), the amount of Victorian gold exported in 1851-65 was 30 998 071 oz, worth £123 992 284. The *Cwealth Year Book* 1936, gives, p 582 the amount of gold produced in Australia 1851-1930 as 147 822 017 fine oz. H L Harris gives (*The Economic Resources of Australia* pp 79-80 Sydney Angus & Robertson, 1933) Australian gold production, 1851-1931, as 148 415 000 fine oz, including 71,392 000 fine oz, or nearly half, the produce of Victoria.

territory by the imperial government, were acting *ultra vires* in regulating the goldfields. John Atkins, revising barrister to the Victorian mining boards, wrote, a few years later,

By the enactment of these measures the colonial legislature assumed a dominion over the gold in the colony which it did not possess. Later (1852), the Colonial Minister at home affected to hand over to the legislature of the colony the management of its gold mines, but whether by that Act the colonial legislature obtained any power over the gold, is at least doubtful. The imperial government, however, never advanced any objection.<sup>12</sup>

The rich Victorian fields of Mount Alexander and Ballarat were worked from 20 July and 8 September respectively. On 13 August a small girl picked up a piece of gold in Swanston Street, Melbourne, but that was the only bonanza that was found in the little town soon to be a teeming city crowded with gold seekers from all over the world. At first flush, every form of industry but gold getting lost its attraction for most in the gold colonies.

Wages are rising. The common necessities of life are rising, wood and water are rising. There is no appearance of the demand for labour for our shearing and harvest being supplied. The police force are handing in their resignations daily. The custom house hands are off to the diggings, seamen are deserting their vessels. Contractors' men have bolted and left large expensive jobs on their hands unfinished. What are the contractors to do? Why, follow their men, and off they go!<sup>13</sup>

So by the end of November 1851, 13,000 men were at the diggings, including 10,000 at Mount Alexander, and soon nearly half of the 46,000 men in the colony (total population, 77,000) were prospecting or mining.<sup>14</sup> Civil servants' salaries had to be raised, in Victoria as in New South Wales. But the exodus from normal occupations was greater in Victoria, where strikes were rarer, and there the clerks required two increases of pay—in June, and again in October, and though by December there were 5,000 men at the Turon diggings in New South Wales,<sup>15</sup> at the end of the year the Victorian alluvium had given 1,000 oz. more than the New South Wales total of 144,000 oz. of gold. Miners flocked across the Murray towards the more abundant fields, thousands came from overseas—London had its first tidings of Australian gold on 3 September 1851<sup>16</sup>—and the mining population in Victoria alone may have been

<sup>12</sup> Review of Vict. goldfields legislation in John Atkins' art. in *The Goldfields and Mineral Districts of Victoria* by R. Brough Smyth pp. 379 *et seq.* Melbourne 1869 the passage cited is on p. 381.

<sup>13</sup> *Argus* Melbourne 3 Oct. 1851.

<sup>14</sup> *Vict. V. & P.* 1851 52 p. 512. *Mining and Mineral Statistics* p. 10.

<sup>15</sup> 12th gen. report Col. Lind & Emign. Commrs. p. 34. *Lords Papers* 1852 vol. xxxviii p. 370.

<sup>16</sup> *vide An Economic History of Modern Britain* by J. H. Clapham ii p. 336 *et seq.*, for the news and its effect on freight rates, etc.

100,000 within two or three years.<sup>17</sup> In all three eastern colonies wages and prices soared as men left workshop and plough.

The Mount Alexander find, news of which had attracted the bulk of diggers who were out in 1851, provoked a mass emigration from Van Diemen's Land and South Australia, the farming colonies in which gold had not been found. By the end of 1852 the adult male population of Van Diemen's Land had been halved. In March 1851, the sex ratio there was 21 males to 12 females; eighteen months later it was 11 females to 10 males. Referring to the consequential rise of wages in a colony which even before 1851 had been short of labour, the Van Diemen's Land government, in an appeal for immigrants in 1853, pointed out, 'These rates of remuneration are excessive, and are the consequence of the discovery of gold.'<sup>18</sup> But in South Australia, business men, less disconcerted by the similar situation of their colony, 'almost depopulated' as it was after Mount Alexander, speedily took corrective action. The men might not soon be recalled, but money, they believed, might—and in January 1852, six months after the Mount Alexander discovery, the South Australian Legislative Council held a special session of one day, the business of which was to pass a Bullion Act. The Council sat on 28 January, having been summoned by Proclamation of 24 January. The Governor, Sir Henry Young, announced at the opening,

The urgent and reiterated representations which have reached me from all classes of the community, to the effect that immediate legislative action can alone protect the public interest at this time from general and imminent danger, have induced me to authorize this special session.

Without delay the legislators proceeded with a measure which was to remain unique among expedients of currency inflation in Australian financial emergency legislation. The Adelaide banks—the Union and Australasia branches, and the South Australian Banking Company—had to revive their business and arrest the run on their funds which was occasioned by the exodus of depositors to the Victorian diggings, and the Bullion Bill was the stimulant which they administered. 'The banking, commercial, trading and other moneyed classes of the country, and also my official advisers in Council,' the governor said, 'concur in the utility and urgency of the measure now introduced.' In fact South Australian business interests were bent on legislation which would serve them as well as the Forbes Act of New South Wales (*vide* Chapter II, i) had served its

17. The gold commissioners of 1854 gave the goldfields population as 100,000 in 1854 (*Vict. Parl. Pprs.*, 1855-56), according to Brough Smyth (*Goldfields*, p. 511) the mining wardens' reports showed 65,763 miners in 1854, and 109,665 in 1855, including 19,244 Chinese.

18. *vide Information Regarding the Colony of Van Diemen's Land*, pp. 11 *et seq.* (an official publication of 1853), for details of Tasmanian wages and prices.

promoters, 'the moneyed, commercial and landed interests of the colony.'<sup>19</sup> The 1852 'Act to provide for the assay of uncoined gold, and to make banknotes, under certain condition, legal tender,' was to milk the gold colonies. A Government Assayer was appointed, authorized to cast gold into ingots, and stamp them for currency; the banks were obliged to receive gold bullion at £3. 11s. per oz. and give their notes in exchange. (The current price of gold being £3 per oz. in Melbourne and £3. 3s. in Sydney,<sup>20</sup> there ought to be an influx into South Australia.) The banks might inflate their issues from time to time to the valuation of new gold presented, but under £100 penalty they must 'keep gold or silver coin equal in amount to one-third of the notes issued, . . . in circulation over and above the notes issued,' and this specie circulation must be maintained until the additional notes were withdrawn. The notes were declared legal tender during the operation of the act, which was limited to twelve months.

The measure was a perfectly sound one. It was not that South Australia was over-valuing gold but that buyers in Victorian and New South Wales were under-valuing it in the purchases they made. For in England the Mint price of gold was £3. 17s. 10½d. per oz. of standard metal, and under the Bank Charter Act of 1844 the Bank of England was bound to give its notes for bullion at this valuation, less handling charges, or at £3. 17s. 9d. per oz. There was as yet no branch of the Royal Mint in Australia, and gold buyers there were taking advantage of the fact by allowing themselves up to 30 per cent gross profit on their transactions with the diggers. Now South Australia, or above all the two great English banks operating there, was content to take 10 per cent gross profit on gold dealings. Inevitably the response from the mines was instant. Gold dust to the (South Australian) value of £778,774 was received at the Assay Office in Adelaide in the first six months of the act—in February 5,000 oz., in July, 68,000 oz., for instance, or 219,373 oz. in the six months.<sup>21</sup> Colonial exchanges rose against South Australia, whose stock of British sovereigns was at a premium; 'the British coinage was quoted in the market as merchandise, of which 100 pieces, we are told, were worth £105 of South Australian money.'<sup>22</sup> So minted gold went out of South Australia as raw gold came in, and the banks had to devise a gold coin which would satisfy the Bullion Act's provision that a quarter of local currency should be metallic. They issued the 'South

19. South Australian references in *SA V & P*, 1852, Special Session No 1, 28 Jan 1852, for preparation of the *Forbes Act*, *NSW V & P*, 1834, report of sub-committee, 4 June 1834.

20. Melb Chamber of Commerce yearly report, 1851-52, pp. 21 *et seq*.

21. South Australian Assay Office return, Sept. 1852 (*SA V & P*, 1852).

22. Appendix to reports of William Westgarth to the Melb Ch of Comm, 1853, p 62

Australian sovereign,<sup>23</sup> a 'dump' cut from Assay Office ingots, and tokens to serve the purposes of silver change.

Before the act ran out, the Australian price of gold had risen above the South Australian price; in the meantime Adelaide bank reserves had been increased greatly as a result of the January expedient, and abundant capital was in hand for the farming and wheat-handling for colonial interchange, which would be agricultural South Australia's means of gold-getting, now that (1853) New South Wales land in cultivation was 9 per cent below the 1851 level and Victorian land in cultivation 40 per cent below, while population in both colonies was far greater than in 1851, after a large recent immigration. Both South Australia and Tasmania (where the last convicts landed in 1853) raised and sent to the gold colonies greatly increased grain consignments, South Australia being, because of the effect of the Bullion Act, in the better condition to increase its grain production.<sup>24</sup> (The loss of Tasmanian manpower is a factor bearing on the situation, inasmuch as the shortage of labour forced land out of cultivation, a steep price rise is another important factor.)

However, it was not in the small colonies that what then appeared likely to be a new Australian economy was appearing. They might lose on the swings, and gain on the roundabouts—have their manpower wasted by emigration to the diggings, and still gain by the custom of the enormously enlarged New South Wales-Victorian market. But their status was subordinate; and it was in Victoria above all that the economic and social balance of Australia was, it seemed, being decided. There, where 76,000 people had contributed a quarter of a million pounds to government revenue in 1850, in 1854 a quarter of a million people contributed £3m.; where the 76,000 had imported three-quarters of a million pounds' worth of goods and exported a million pounds' worth, the 250,000 now imported £18m. worth and exported £12m. worth. So in four years a pastoral community had seen its population more than trebled, its revenues and its produce sales multiplied by twelve, its purchases by twenty-four. Similarly, its bank deposits and its currency were greatly expanded, the first to six times and

23. *The American Year Book and National Register 1869* (ed. David N. Camp), has on p. 221 a reference to the Australian 'pound of 1852' in a list supplied by the Master of the U.S. Mint at Philadelphia. He gives the weight of this coin as 281 dwts as *cf.* 256 5 dwts, the Australian 'sovereign of 1855-60' (*viz.*, from the Sydney branch of the Royal Mint), and 256 7 dwts the English sovereign, the values in American gold money being given as \$5 32 \$4 857, \$4 863 respectively.

24. South Australian land in cultivation was 64,728 acres in 1850, 361,884 acres in 1859, representing an increase of nearly 500 per cent (South Australian Blue Book, 1866), Tasmanian land in cultivation was 168,820 acres in 1850 and 208,619 acres in 1859, representing an increase of 24 per cent. After the Bullion Act, South Australian land sales (Crown Lands) went up steeply, from £99,000 (87,000 acres) in 1852 to £292,000 (213,000 acres) in 1853 and £375,000 (214,000 acres) in 1854, *cf.* Tasmanian sales in those years of £42,000, £91,000, £112,000 (Tas. Blue Book, 1866).

the second to twelve times the amounts of 1850. The rapid transformations accomplished by pastoral development, as measured a scant fifteen years before (*vide* Chapter II, i), seemed small compared with these breakneck advances. And although pastoral development was still well sustained—the quantity of wool exported from Victoria in 1854 was 40 per cent greater than the 1851 export, and the New South Wales increase was 24 per cent—it was not wool in these years that held the colonial stage and determined policy. The government's main task now was to provide services appropriate to the requirements of an Australian population which in three years from 1851 had increased 60 per cent, to nearly 700,000. Of more than a quarter of a million new Australian population, Victoria housed 160,000, therefore it was in Victoria that public problems and difficulties were most emphasized. But such developments as public works and fiscal policies contingent on the gold discoveries are studied in their place. The question before us now is the extent to which the actual course and methods of mining, in the early years of large production particularly, created or aggravated social-economic problems which would be vital factors to be taken into account in the period of reconstruction from about 1860. In the first place we require for reference statistics of production, which in the circumstances<sup>25</sup> must be represented by statistics of gold exported.

#### VICTORIAN AND NEW SOUTH WALES GOLD EXPORTS, 1851-65

Year	Quantity exported (oz )		Year	Quantity exported (oz )	
	Victoria	N S W		Victoria	N S W
1851	145,146	144,120	1858	2,528,478	254,907
1852	2,218,782	818,751	1859	2,280,950	435,995
1853	2,676,345	548,052	1860	2,156,660	483,012
1854	2,150,730	237,910	1861	1,967,420	488,293
1855	2,751,535	64,384	1862	1,658,207	699,566
1856	2,985,991	42,463	1863	1,626,872	605,722
1857	2,762,460	253,564	1864	1,544,694	758,109
			1865	1,543,801	682,521
Total exported 1851-65 . . . . .				30,998,071	6,717,369
Total exported 1851-65 (both colonies)				37,715,440 oz.	

<sup>25</sup> The Vict. figs are Brough Smyth's, and the N.S.W. figs from the 1865 Blue Book. The N.S.W. Blue Books are apt to identify export with production figs. Production figs, in fact cannot be given, the only check being the amounts brought down under Govt. escort, which would not equal the whole. The fallibility of the official statistics is revealed, e.g. by the differences between the gold figs. for 1855-60 given in the 1861 N.S.W. Blue Book and those given in the 1862 and subsequent Blue Books, without annotation on the reason for the changed version, for 1855-56, e.g. the 1861 Blue Book figs. of production are 171,367 and 184,600 oz., and the 1862 and later Blue Book figs. are 64,384 and 42,463 oz. The Blue Book figs. for 1861-65 are stated to include gold other than gold produced in N.S.W., and for these years the export fig is higher than the amount given in the Mint returns, giving gold brought down under escort.

Thus 82.2 per cent of gold exported in 1851-65 was exported from Victoria. Probably the figures given for New South Wales exports are higher than New South Wales production, and Victoria's proportion of total output was more than 82.2 per cent. However that may be, it is clear that Victoria was the gold centre of gravity. By what means, then, did it get its average of 2m. ounces of gold a year, worth £8m.? After our approximate statement of production we require in the second place an index of goldmining employment. This, worked out from imperfect records,<sup>26</sup> appears as follows:

INDEX NUMBERS OF GOLDMINING EMPLOYMENT IN VICTORIA,  
1851-65

(1851 employment, 19,300 miners, equals 100)

1851-57: 100, 175, 274, 341, 568, 598, 702.

1858-65: 76.4, 652, 563, 521, 484, 482, 440, 417.

Thus the volume of employment grew rapidly until in 1858 there were nearly eight times as many miners working as in late 1851 after the early rushes, and in the next seven years the volume of employment shrank, but generally at about half the 1852-8 rate of increase. If we refer those figures to the figures of the amount of gold won for export, we find that the decline of the volume of employment, 1859-65, corresponds roughly with the decline of gold yield, but that in 1852-8, when the volume of employment was increased more than four times, the amount of gold won, while it varied from year to year between 2.15m. oz. and 2.75m. oz., did not vary in a manner at all corresponding with the variation of the volume of employment, the volume of employment increased steadily. Part of the explanation of this apparent inconsistency is to be found in changes which occurred in the method and organization of production.

These changes were not in effect the transference of emphasis to quartz-crushing for gold, after some early exhaustion of the alluvial gold deposits. In 1865 more than 65,000 miners, or much more than 80 per cent of Victorian gold miners, were still working on the alluvium, and they got 70 per cent of the total output.<sup>27</sup> The changes which actually were experienced were incidental to the exhaustion of *surface* alluvial deposits, changes which required the application of machinery, and therefore of considerable capital,

26 The figs. used (tables in Brough Smyth's *Goldfields*, p. 511) are, for 1851-58, made up from those supplied in the gold wardens' reports from the several mining districts, the figs. for 1859-65 are from mining surveyors' reports. The wardens' figs for 1859 (139,230 miners) differ substantially from the mining surveyors' figs for the same year (125,764).

27 *Mining and Mineral Statistics*, pp 24, 38, but Smyth's figs on p 39 *ibid* would give the number of alluvial miners as 78.9 per cent of the total.

to get the deeper alluvial deposits. What took place was this: while, about 1851-8, fresh fields were being discovered and the bulk of gold was accessible by more or less primitive methods, the number of independent diggers grew rapidly. Few could have gained much gold, and in fact the average earnings per miner fell steadily from £263 in 1852 to £69 in 1858. The decline of the volume of employment, after that, is referable to technological factors more than to the exhaustion of the alluvium, which happened much later. In the earliest period of Australian goldmining the usual method of gold-getting was to wash goldbearing sand in a 'cradle': a box, about six feet long, which stood on rockers and was fitted with a sieve bottom. A mining party consisting of four to eight men would work together, some digging the 'pay dirt,' some rocking the cradle to separate the heavy gold dust from the lighter sand, some washing foreign matter from the gold residue. The 'long tom,' which required three men to work it, was a large variety of cradle. Some individual miners used the simple method of 'pan washing'—agitating sand in a tin dish held in a stream so that the water would wash away the sand and leave the gold dust, if it was present, in the bottom of the dish. Quite early, more elaborate methods were sometimes used, in both colonies. An observer of 1854 reported,<sup>28</sup>

By many shafts are sunk, sometimes to the depth of from 50 to 100 feet, and tunnels bored in all directions when the gold bed is reached. Companies also are now formed, and quartz-crushing machines erected, the invisible gold being extracted from the quartz dust by means of quicksilver, with which it eagerly amalgamates.

But company mining and quartz-crushing, in the context of 1854-65, are not at all synonymous, most company operations, in those years, were carried on in the alluvium. By 1865, when the alluvial yield was still more than double the yield from deep-sinking in the quartz strata, there were in the Victorian goldmining industry more than 4,000 machines of various kinds, and more than 6,000 sluices, sluice boxes and toms—for operations in the alluvium from the surface down to 500 ft. In 1859, the year in which the volume of employment first contracted—to the extent of more than 20,000 workers out of perhaps 147,000—mining plant valued at £1.155m. was in use, seven years later, when the number of workers in the industry was less than half that of 1858, plant valued at £1.914m. was in use.<sup>29</sup> But of 79,457 miners at work in the last quarter of 1865—

28. Henderson, *op cit*, I, pp. xvi, xvii. For a geological account of the Victorian mining districts *vide* Smyth's *Mining and Mineral Statistics*, pp. 4 *et seq.*, and his *Goldfields*, pp. 1-55, for methods of gold getting, *Mining etc.*, pp. 24-25, *Goldfields*, pp. 79-351.

29. *Mining and Mineral Statistics*, pp. 24, 39.

the number declined further next year—the vast majority were on the alluvial fields, and of these, 60 per cent worked for wages, the number of miners' rights taken out that year amounting to only 40 per cent of the total number of alluvial miners.<sup>30</sup> The ratio of company alluvial miners to company quartz miners to independent miners in Victoria in 1865 was 15 . 7 : 10, suggesting that while company mining was now the typical<sup>31</sup> form of organization in the industry the typical goldmining field was still the alluvium.<sup>32</sup> A very large proportion of the independent alluvial miners was made up of Chinese, who were nearly 21,000 in number in 1865 and had been much more numerous about 1857-9.<sup>33</sup> By the end of 1866 company mining had developed so that nearly 1,500 gold-mining leases, covering 20,000 acres, were registered, with operations or plans requiring a capital outlay of £5m. But still nearly twice as much gold was got from alluvial workings as from quartz veins, and so extensive were the company alluvial workings that there was in Victoria a total length of 2,250 miles of water races.<sup>34</sup>

The order of events in mining method should be kept in mind. First, the prospect of easy money attracted scores of thousands of independent diggers to the fields, and their work maintained gold output at a high level until late in the 'fifties. Probably the hope of a 'bonanza' was enough to keep them going for some time, though the average earnings fell off steeply after the first two years from the discovery of gold. But a hundred thousand men would not continue to be satisfied by a return of twenty-five or thirty shillings a week—normal in the late 'fifties, when, however, miners on wages were receiving £2 to £3 a week. Moreover, after half a dozen years of exploitation of the surface and near-surface alluvial deposits the gold prospect had narrowed for the independent miner who had no capital. Capital, however, could still be applied profitably to the alluvium to get gold by concentrating labour and using sluices and races which were impracticable for individuals,

30 It is curious to note that two-thirds of a century later, when the number of men goldmining in Victoria was but a quarter of the number in 1865, there were rather more men working 'on their own' (prospecting and fossicking, in economic depression) than were employed by mining concerns, the wage workers in 1933 numbered 9,768, the independent miners, 10,178, or 51 per cent (*vide* 1933 Commonwealth Census, *Detailed Tables*, vol. II, p. 1204).

31 *cf.* *Journal of Commerce of Victoria*, 24 April 1858, leading article, p. 8 'That the whole future success of the diggings depends on their being worked by companies with sufficient capital to find the plant and to carry on the operations until gold is struck, cannot for a moment be doubted'.

32 From *Mining, etc.*, pp. 39, 41, the number of miners' rights issued being taken to represent the number of independent miners.

33 *cf.* *Goldfields*, p. 511, where the number of Chinese on the fields is given as 36,327, 33,673, 26,644 for 1857, 1858, 1859, and *Mining and Mineral Statistics*, p. 41, where the number of Chinese protection tickets issued is given as 22,341, 28,179, 35,810 for those years *et vide* *Vict. Parl. Papers*, 1857-58, II, pp. 6, 430, for reference to the Chinese element in the population.

34 *Vict. Blue Book*, 1866.

and diggers would prefer working for wages to scratching or fossicking for meagre rewards. Still, the amount of gold won per annum fell steadily from the peak reached in 1856, and the companies could not absorb all, or nearly all, those who had dug for gold on their own account. Gold was no longer there in the profusion of the first rewarding years. That fact, and not the invention and application of quartz-crushing machinery, brought about a flooding of the colonial labour market, which accounts for some directions taken by Victorian social-economic legislation in the 'sixties.

Retracing our steps, we find that already in 1861 the number of miners employed had fallen from 147,000, the 1858 peak level, to 100,000. In that year Gabriel Read struck gold at what came to be called Gabriel's Gully, in Otago province, New Zealand, and in two months from September, 11,600 miners left Victoria for the New Zealand fields. In 1857 gold had been discovered in Nelson province and the first New Zealand Goldfields Act (21 and 22 Vict., No. 74) passed (19 August). The New Zealand discoveries are not comparable in extent with those made in Victoria. In New Zealand, the discoveries were of value to the colony chiefly because of the immigration, trade and importation of capital which they occasioned. Thus in the ten years 1861-70 the white population rose from 100,000 to 250,000, and in 1863 a peak of £7m. worth of goods imported compared with £6m. in 1853 and £4m. in 1871.<sup>35</sup> In the imperial perspective these gains were inconsiderable beside the enormous increase which took place in Australian trade and the creation of an important new market for British goods.

## ii. *Britain's New Colonial Market*

New South Wales and Victorian total trade was worth a little more than £3m. a year in the decade (1841-50) before the discovery of gold, in the decade 1851-60, when more gold was produced in Australia than in any other decade of the nineteenth century, the average annual total trade of the two colonics was worth more than ten times as much. And if the call of the pastures and then of the mines had led to a great inflow of people, so that the Australian population, 190,000 in 1840, was 1,145,000 in 1860, it was as remarkable that Australian imports per head rose from £8 in 1841-50 to £19 in 1851-60, while exports per head rose from about £6. 10s. to more than £17. This evident advance of British colonies in economic and commercial importance was of course a benefit which was not confined to themselves; England, whose

<sup>35</sup> *vide New Zealand in the Making*, by J. B. Condliffe, pp 28 *et seq.*, for a discussion of the effects on New Zealand of the gold discoveries there and in the Australian colonies.

colonies and investments they were, gained, too. The extent of the gain cannot be stated precisely, for the large Australian production of gold and the flooding of the gold down the financial channels of the world, helped to promote a large increase of British and world trade at this time. But Britain's direct gain from the enhanced value of the colonies as markets for British goods is clear. In a comparison it is desirable to take the seven years from 1844 (the date of the first records in the *Statistical Abstract for the United Kingdom*, the official statistical publication) and compare them with the seven years after 1851, the year of the Australian gold discoveries. It is found that while the annual average United Kingdom export trade to the Australasian colonies was £1.6m. in 1844-50, it was £8.7m. in 1851-7. This represents an increase of 444 per cent in United Kingdom exports to Australasia, on a yearly average. The annual average of total United Kingdom exports, also, had increased from £60.4m. in 1844-50 to £97.4m. in 1851-7, an increase of 61.7 per cent, so that Australasia took 9 per cent of total United Kingdom exports in 1851-7, compared with 2.6 per cent in 1844-50. So the Australasian market was four and a half times more valuable to the United Kingdom in the seven years after the gold discoveries than in the seven years before (or in any earlier period), and it occupied three and a half times as much of the total United Kingdom export market as it had done before.

By far the greater part of the enlarged British market in Australasia was provided by the 200,000-500,000 people who were concentrated in the chief gold colony, Victoria, in 1854-9. The colony's import trade had been less than three-quarters of a million pounds' value in 1850, and a little more than a million, or £12 a head, in 1851; in 1853 it was nearly £16m., or £79 a head, and in 1854 nearly £18m., or £70 a head. These high levels, reached in the period of excitement when vessels from all over the world hastened to carry their cargoes to the gold market, were not maintained; but in 1855-9 the average import a head into Victoria was still as high as £36 (*cf.* the highest figure for any earlier period of five years for the average import, per head of the Australian population, of somewhat less than £15 in the period of pastoral expansion and capital import, 1836-40). Customs collections rose, and during 1852 most of the colonies had increased their revenue tariffs. Formerly, British goods except liquor, etc., had been exempt from duty and an *ad valorem* duty of 10-15 per cent imposed on most foreign goods—'foreign' goods including the produce of other colonies—but in August 1852, the Victorian government simplified its tariff by imposing a fixed duty on wines, spirits, tea and tobacco. ('An over-supply of merchandise in gold countries must be a chronic

disease,' it was observed later on the increase of all imports, and, on the increase of spirits imported, 'It would appear Victoria has such a reputation for drunkenness that shippers have considered it impossible to glut this market with liquors.'<sup>36</sup>)

The flood of imports resulted in over-stocking and the sacrifice of large quantities of goods at auction, Tooke gives<sup>37</sup> many instances of goods which were unmarketable because of excess supplies, or were marketable only at a heavy discount on the invoice prices. This stage reached, importing houses began to refuse credit to Melbourne wholesale houses, which in turn were apt to refuse all but cash dealings with retailers in the ports and the gold towns. This commercial crisis involved the collapse of a boom in house property which had been a consequence of the demand for housing by the scores of thousands of unassisted immigrants who reached Victoria in 1852-4. The *Argus* newspaper reported early in 1855 the case of a speculative builder who had rented an allotment at £300 a year, spent £40,000 in putting up stores on it, and leased them at rents totalling £15,000 a year. Within twelve months the rental value fell from £15,000 to something less than the ground rent of £300 a year. There had been only 52 insolvencies in Victoria in 1851-3, involving about £67,000 liabilities, but in 1854-5 there were 506, involving £2,116,000, indeed there were more insolvencies in 1855 alone than in the whole of the period of twelve years 1842-53, including the years of liquidation of the land boom of 1838-40. 'There came upon us in 1854 a European war, a crisis in America, and a crisis in Australia,' the president of the board of trade said<sup>38</sup> in the House of Commons; and British shippers felt the last-named enough to persuade them to reduce their exports to Australasia (£6 3m. in 1855, cf. £14 5m. in 1853 and £11 9m. in 1854), while Victorian imports from all countries fell to £12m. from nearly £16m. in 1853 and £18m. in 1854. It was not without justification that half a dozen years later a commentator should put it that the crisis of 1854 'impoverished the population and pressed with unabated severity on the vitals of the country for two years.'<sup>39</sup> For a study of the banking statistics 1853-5 shows some remarkable oscillations which support the contemporary accounts. At the end of 1853 Victorian bank branches were working on an aggregate paid-up capital of £2 7m. They had £1 92m. notes in circulation and deposits of £6 24m. At 30 June 1854, their paper current was £2 29m., an increase of just

36 *Melbourne Prices Current and Shipping List*, 8 Sept 1854, a very useful week-by-week record of the Victorian economic scene.

37 *History of Prices*, vi, pp. 822, etc.

38 *Parliam. Debates*, 3rd series, vol 136, p 1697

39 *Prices Current*, 25 Nov 1860. The banking statistics are from the Victorian Blue Books

less than 20 per cent, and their deposits (on which no interest was payable) were £6 04m., a decrease of about 3 per cent. In the six months the banks had increased their discount and advances business by nearly 60 per cent from £3.9m. Then in the second half of the year reaction came with the over-stocking of the commodity markets with imports, and notes in circulation fell off more than 4 per cent, deposits 16 per cent, from the June 30 level, while very little new discount business was done. At the end of 1855 the banks' paper in circulation was a little above the level of two years before and somewhat below the level of 31 December 1854, while bank deposits were 32 per cent below the December 1853 level, and 4 per cent below that of December 1854, and the total of discounts and advances was 22 per cent above the total at 31 December 1853, but 25 per cent less than the total at 31 December 1854. What had happened was the liquidation of excited speculation, a business crisis rather than a crisis of the Victorian economic system. Indeed, Victorian exports in 1855 were worth £13 5m., including gold £11m., as compared with £11.8m., including gold £8.6m., in 1854, and for the first time in three years the value of exports exceeded the value of imports. For from mid-1855 the losses which shippers to Victoria had lately experienced began to be reflected in the import figures, July-August imports were £1 23m., or 45 per cent, less than in the corresponding months of 1854.

Conditions in New South Wales impeded recovery to some extent. There, goods to the value of £6m. had been imported in 1854, compared with exports worth £4m. Bank deposits fell 10 per cent from £5m., between September 1854, and September 1855. Gold production in New South Wales had fallen off greatly, and quantities of imported goods intended for New South Wales were diverted to Victoria. But the opening in May 1855 of a Sydney branch of the Royal Mint had had a steadying effect on the exchanges with London, which had usually been 'at a premium both ways,' and the Victorian price of gold in 1855 was fairly steady at £3. 16s. to £3. 17s. per oz. During the middle and late 'fifties large public works programmes—for railways, roads and telegraphs—were carried out in Victoria, much of the cost being met from loans made to the government (*vide* iii); and even the severe crisis which was felt in England and America in 1857 had little damaging repercussion in Australia.

This temporary insulation of the colonial economy, making it relatively impervious to shock from abroad, is particularly interesting in an historical perspective. Earlier, crisis in England had soon been reflected in a setback of the Australian economy. The tight

money epoch of the late 'thirties had contributed towards the liquidation of the colonial land and stock boom, and though the English crisis of 1847 had not been felt so severely, that was because Australia was, since the local economic reverses of 1841-3, not a field for new British investments and not subject, therefore, to strain through a sudden cessation of such investment. And after the first gold epoch Australian economy would respond quickly, as in New South Wales and Queensland in 1866 and the entire group of colonies in 1891-3, to overseas movements. But for the time being the situation was different. Australia indeed was a factor in bringing on a crisis of English finance and business in 1857. The 'vast amount of speculation'<sup>40</sup> which in 1855-6 distinguished English investment operations, was attributable in part to the stimulus which Australian gold had given to business activity everywhere. But when in August 1857 all but one of the New York banks (63 in number) stopped payment after a boom in railway shares, promoted largely by English capital investment, the economic tremor which started from the United States to Britain and thence to the British colonies, had not much force by the time (January 1858) it was felt in Australia. The reason for the difference is clear; it is that for the time being Australia was not at the disposition of English finance. The pastoral boom of the 1830's had been promoted by British capital export to the colonies, and the land boom of half a century later would be dependent likewise on English capital support, but at this stage in the 'fifties it was Australian capital, created by mining, that dominated Australian economy, and movements of the English and American stock exchanges and the bank rate were not the touchstone of colonial prosperity. Nevertheless, when shortly after the New Year tidings reached Melbourne of the New York bank suspensions, and when a little later in January tidings arrived of the English crisis of September, the local banks, many of which had English affiliations, reacted quickly. Interest rates on advances and discounts went up 1-2 per cent, and four of the banks instituted a practice of allowing interest on fixed deposits and even (2 per cent) on current accounts. But naturally it was good business for the Anglo-Australian banking houses to transfer funds to London, where high interest rates obtained while money was tight. There were 856 insolvencies in Victoria, involving liabilities of £1.5m., in 1857-8; but 210 of these, carrying liabilities of £846m., happened in 1857, and the aggregate amount involved in the 1858 insolvencies was not much more than a third of the amount involved

<sup>40</sup> vide A. E. Feavearyear's *The Pound Sterling*, pp. 268-271, for an account of the 1857 crisis in England and America.

in those of 1854-5. Moreover, imports had passed the £17m. mark again in 1857, and many of the failures of that year and the next can be ascribed to over-stocking.

For a time in the fifties, then, Australian economy was 'colonial' in that it offered a greatly widened market for British goods rather than a field for direct investment. But capital import into Australia did not stop; it took now its third characteristic channel, that is, private investment in colonial government loans floated to finance public construction, whereas, since the convict period of British public investment, most British capital imported had been private investments in private enterprises.

### iii. *Capital Import and Public Utilities*

In 1851-60 the chief feeder of Victorian social-economic progress was capital created by local gold production, rather than British capital imported—although the import of capital in the form of mercantile capital, from the first years of gold, and, soon, in the form of government loan subscriptions and capital goods for railway and other construction, was not small. But New South Wales, whose gold yield in the period was less than a quarter and perhaps not more than a fifth of the Victorian yield, was at this time not less dependent on overseas capital feeding than it had been during the pastoral extension of the middle and late 'thirties. Up to 1850, from the first year of possibly accurate trade statistics, 1827, the accumulated New South Wales excess of imports over exports was more than £8m. In the next fifteen years, 1851-65 (when exports exceeded imports only twice, in 1851 and 1852), £20m. was added to this total, giving a total capital import of about £28m. for the period of almost fifty years. Of course some of the £8m. imported before 1851 (and the administrative separation of Victoria from New South Wales) was invested in Victoria, then Port Phillip or a series of districts within the New South Wales government. But that proportion, which would not affect seriously a comparison of figures for the two colonies in the 'fifties and 'sixties, could not have been very great, for more than half of the whole capital import consisted of British public capital laid out through the commissariat, that is to say, for the most part in New South Wales proper, where by far the greater part of the convict and military establishment was. Assuming, then, that British capital imported into New South Wales in the years 1851-65 amounted to £20m., we can compare that total with £14m. (excess of imports over exports) imported into Victoria during the same years. For every £3 of capital imported into New South Wales about £2 was imported into Victoria. Now, at the end of period in question, the

population of Victoria (626,639) was more than half as great again as that of New South Wales (411,388). And in other important respects twenty year old Victoria had by this time surpassed eighty year-old New South Wales. For instance proportionately more business was done by the Victorian population, among whom circulated a banknote currency (usually about £1.3m) which was double that of New South Wales, and though Victoria's huge export of gold went far towards balancing the colony's external trade transactions, the volume of Victorian imports was usually at least twice as great as that of New South Wales. Fifty per cent above New South Wales in population, then, and doing perhaps twice as much domestic and overseas business, Victoria could manage its affairs with much less help from overseas capital than New South Wales required. Such being the difference between them, in the years which were formative of the more complex economic and political arrangements of the post gold societies it is not surprising that from the 'sixties Victoria adopted a policy of tariff protection of its nascent secondary industries and New South Wales retained freedom of trade qualified by revenue tariffs only. As early as 1852 both had modified the former Customs practice of exempting from duty most British goods and imposing on foreign goods (including produce of neighbouring colonies) an *ad valorem* duty. But where New South Wales retained the differential method while cutting down the list of dutiable articles, Victoria abolished the differential method, imposing a fixed duty on wines, spirits, tobacco, etc., irrespective of origin. And as early as 1861 the Victorian Legislative Assembly resolved, by a vote of 22 to 20 that the principle of tariff protection should be recognized in future fiscal legislation. Undoubtedly the problem of putting miners to work, which was more onerous in suddenly populous Victoria than in New South Wales, was largely responsible for the protective system. Victoria's relative freedom from obligation to overseas capital was one of the conditions in which the colony struck out along a fiscal line of its own.<sup>41</sup>

However, the two principal colonies between them imported as we saw an average of about £2m of overseas capital each year in 1851-65, compared with about £34m in 1827-50 the excess of imports per head over exports per head, for all Australia, averaging about £1.4s a year during the period 1851-65. When we study the channels which the new large import of capital took we find that of the £34m New South Wales Victoria excess several millions was applied as fresh banking capital. There were in 1866 ten

<sup>41</sup> *vide Journal of Commerce of Victoria* 24 April 1858 for the NSW, Vict, SA and Tas. revenue tariffs of that time.

banks operating in Victoria, and nine in New South Wales, compared with four banks in 1850. Six banks operated in both colonies—they were the Australasia, Union, London, the English, Scottish & Australian, the New South Wales, and the Oriental—with an aggregate paid up capital of £66m. (but one of them, the Oriental, with capital of £15m., was not a bank for Australian operations primarily). The old banks—the Australasia, Union and New South Wales, the first two of which certainly, and the third probably, were capitalized chiefly in England—had increased their paid up capital since 1850 by £73m., and the London and the E.S. & A., new English flotations, had paid up capital of £1m. and £6m. The old Commercial of Sydney had increased its capital from £095m. in 1850 to £4m. in 1866. New banks operating in only one of the two colonies were. Victoria—the Colonial of Australasia (paid up capital, £4375m.), the National of Australasia (£54m.), the Victoria (£5m.), and the Commercial of Australia (£065m.), and New South Wales—the Australian Joint Stock (£605m.) and the City (£2m.), in addition to the old Commercial (£4m.). In addition to the several millions of new banking capital imported, a substantial proportion of the total capital import entered Victoria in the form of overseas subscriptions to government loans; most of the Victorian public debt, £8.8m. in 1866, was made up by Victorian government bonds of £7m., sold in London in the course of railway loan flotations, 1858-66. Of about £16m., the aggregate of the public debts of Victoria and New South Wales in 1866, three-fourths was due to investors in railway construction loans and most of these were in London. Besides fresh banking capital and loan subscriptions, there was still a steady, comparatively small import of British public capital to maintain the British military establishments in the colonies.

With greatly increased populations, and capital augmented by local gold and other production and by overseas investors, the three principal mainland colonies, Victoria, New South Wales and South Australia, undertook large public works enterprises from the 'fifties. At a time when in Britain, the United States of America and elsewhere, railway construction and attendant services were attaining the dimensions of great private industries, and when railway speculation on both sides of the Atlantic was a conspicuous factor in periodic commercial crises (as notably in 1847 and 1857), the Australian colonies, too, were looking to the improvement of their means of transport and communication. The first passenger railway in the world, the Stockton-Darlington line, had been opened in England for George Stephenson's *Rocket* steam locomotive in 1825, and the electric or galvanic telegraph had

become an important auxiliary of business since the American, Samuel Morse, had devised his transmission code in 1832. Not to be much behindhand, New South Wales and South Australia had, in the late 'forties, brought railway projects to the attention of their legislatures, and in 1850 the first sod of the first Australian railway construction had been turned. By 1854 Melbourne city and port were connected by rail, next year 13¼ miles of a Sydney-Goulburn railway was completed, and in 1856 Adelaide and its port were connected by rail. Early in 1854 the first Australian telegraph line was open for communications between Melbourne and its river-mouth suburb of Williamstown, and two years later a line was opened between Sydney and the heads of Port Jackson and another from Adelaide to Port Adelaide. Melbourne and Adelaide were placed in telegraphic communication a little later, and by the end of 1858, Melbourne and Sydney. Sewerage, gas lighting, and water supply enterprises were undertaken in Melbourne and Sydney by the departments of public works, with loan finance.

Before the discovery of gold there were no railways or telegraphs, and few passable roads, in any of the colonies, but already the colonists were taking measures to supply the deficiency as far as their straitened means permitted, or a little further. An 1848 Sydney meeting had announced its conviction that 'the introduction of railways would not only be of inestimable importance for the development of the resources of to-morrow, but would afford a safe and profitable investment for capital.'<sup>42</sup> And in fact most of the early railways in all three colonies were in the first instance private enterprises given government subsidies or guarantees. It was believed that railway construction would be cheaper than road construction. A New South Wales select committee of 1848 had reported,<sup>43</sup>

The present condition of many of the great lines of traffic throughout the colony is such that in seasons of drought, or after a continuance of wet weather, they are rendered impassable. To put these roads in a condition equal to the requirements of the country would . . . entail a cost equal to what would be incurred in the construction of a railway

But hardly had the first construction been undertaken by the Sydney Railway Company, and by a private company in Adelaide, when labour and all other costs soared, after the gold discoveries; so the first New South Wales line cost £42,733 a mile, instead of £2,348 a mile as was so optimistically estimated in 1849, the Adelaide-Port Adelaide line cost £25,000 a mile to build, the Melbourne-Sandridge

42 *cit.* Roderick Flanagan's *History of New South Wales*, II, pp 175-6.

43. N.S.W. V & P, 1848, report of the select committee on railway projects.

(now Port Melbourne) line of two miles of track cost £190,000. The colonial governments had usually to take over these enterprises before construction was completed, and the Adelaide Port Adelaide line of 1856 was actually the first government railway to be laid on British soil. The average cost of construction per mile of New South Wales railways laid down to 1866 was £18,000, of Victorian railways, £37,000.<sup>44</sup>

As in the case of the Sydney Parramatta Liverpool railway under taking of the late 'forties and early 'fifties, the extension to Goulburn (the original<sup>45</sup> Australian railway project) had to be taken over by the government. Government loans had been floated in New South Wales from 1852 for railway construction and in May, 1858, the Victorian government (through six banks) placed its first bonds on the London market, part of an issue of £7m of railway stock, £1m was subscribed in Melbourne.<sup>46</sup> And not only railway, but also road construction was undertaken in Victoria to carry the traffic between the goldfields and the seaports, and here, too, costs were high—in 1853 £8,000, in 1854, £6,500, and in 1855, £5,000 per mile. Tolls met much of the cost for instance, in one year, the ten toll gates on the Melbourne Castlemaine road returned £42,000 collections from users. Naturally, in the circumstances of its huge public works, the Victorian government was already a great employer of labour. On the goldfields roads in 1858, 6,500 men were working, and the form which unemployment relief work took was road building—in 1857, £25,000 had been appropriated 'for the purpose of giving employment on the public roads of the colony to persons at present out of employ'.<sup>47</sup>

So far then, we have considered the sudden huge increase of Australian wealth by gold mining production from 1851, an accompanying expansion of the colonies' external trade, the access of capital, and the devotion of much of this new capital to private and public developmental purposes. It remains to describe the course of economic activities other than mining and developmental works and finally, to attempt to measure the effect which the new economy of the colonies had on the imperial economy.

<sup>44</sup> For the facts in more detail *vide* speech of the Earl of Belmore at the opening of the Great Southern Railway 27 May 1869 (copy in Pol Econ Pamphlets vol xxxv pamphlet 6 p. 19 in the Public Library of Victoria) *Commerce and Statistics of Victoria* by W. Westgarth pp. 18 *et seq.* (1876) *History of South Australia* by J. Blackett pp. 390 *et seq.* (1911) and the excellent articles 'Railways and Tramways and Railway Gruges' in the *Aust. Ensign*.

<sup>45</sup> *vide* N.S.W. V & P 1819-1850 etc.

<sup>46</sup> Details in Vict Blue Book 1866 of projects for which loans were floated *cf.* similar details in N.S.W. Blue Book 1866. The Victorian Government loan of 1858 was floated by authority of the Act 21 Vict. No. 25 *vide* *Journal of Commerce of Victoria* 21 May & 15 19 June 1858 for a contemporary discussion of the negotiations and the terms of the agreement between the Victorian Government and 6 of the 8 banks.

<sup>47</sup> Vict V & P (Assembly) 1856 7 i p. 495 and accounts in Westgarth's *Commerce and Statistics of Victoria* pp. 42-3 and Brough Smyth's *Goldfields* p. 71.

#### II. *Economic Condition of the Australasian Colonies, 1860*

The central problem of the Australian colonies when the 'sixties began was how to reconcile a new social situation with an old economic fact. The social situation was the needs and demands of a large new population, much of which had come for gold getting, an employment now drastically restricted. The economic fact was the control which the pastoral industry, an industry requiring comparatively little labour, had over a great proportion of the usable land of the colonies. More than half the area of Victoria, or 31.5m acres, was under pastoral tenure in 1856, and four years later a quarter of New South Wales, or 49m acres, was under pastoral lease. Now, during the 'fifties, while up to a third or perhaps even half of the colonial population earned a livelihood from gold getting, the pastoral industry had made small advance. A little earlier, it had ousted Saxon and Silesian wools from supremacy in the English market, but at the beginning of the 'sixties there were fewer sheep in New South Wales and Victoria than at the beginning of the fifties. Values were higher now, but the quantity of Australian wool exported had not grown much in the gold rush days, when short-handed pastoralists had found themselves compelled to divert a substantial proportion of the flock, to the boiling down works, and when the miners' demand for fresh meat had made it worth their while to divert more to the butcher. But, in another respect, there had been progress in the pastoral industry. That industry's old organization, requiring a comparatively large force of shepherds and hutkeepers on each unfenced run, had vanished here, and was vanishing there, and a few boundary riders rode fence, where many shepherds had folded their masters' flocks. It followed that now that the remaining gold lay too deep for the independent digger, he stood idle outside the fences of the pastoral tenants of the Crown. This situation and its contingencies directed the course of Australian politics for at least a generation to come.

The pastoral industry, although its progress had been interrupted by the events of a dozen gold years, nevertheless found itself at the end of that time in a favourable position. The two factors contributing chiefly to this were the recognition of pastoralists' land rights confirmed just before the gold era by the Order in Council of 1847, and the reorganization of the industry, made under the stress of labour shortage, by which station work could be done by fewer hands than before. And soon after the beginning of the 'sixties a third significant change occurred by which, now that expansion was possible again, the overseas wool market encouraged expansion. The event was the civil war between the northern

and southern states of America which broke out in April 1861, and continued until April 1865. The southern states were by far the principal suppliers of raw cotton to the Lancashire mills, and were therefore a mainstay of the principal English industry. After 1861 most of the American supply was cut off, with the natural sequel that wool and other raw materials received more attention from textile manufacturers. So whereas in the four years, 1858-61, while American raw cotton supplies were fairly constant, United Kingdom cottons exports averaged 2,559 millions of yards a year, in the four years of restricted supplies, 1862-5, the average was down to 1,785 millions of yards, a decline of 30 per cent. Over the same period woollen goods exported from the United Kingdom rose from 161 millions of yards (1858-61) to 206 millions (1862-5), an increase of 28 per cent. In the next four years, after the American Civil War, cottons rapidly resumed their old position, exports being on the average 58 per cent above those of the war period, but wool did not lose its place, exports being on the average 25 per cent above those of the war period, or no more than  $1\frac{1}{2}$  per cent below the 1865 (wartime peak) figure. Australian pastoralists benefited very greatly by this consequence of the war in America, United Kingdom import of raw wool was on the average 31 per cent greater in 1862-5 than in 1858-61, while United Kingdom import of Australian and New Zealand raw wool was on the average 71 per cent greater. In fact, Australasia supplied more than three-quarters (77·4 per cent) of the increased United Kingdom wool import, 1862-5, compared with 1858-61. So in 1865 Australasia provided more than half of the United Kingdom wool import, as compared with two-fifths in 1860, and half of a very much smaller import in 1855 (the total United Kingdom wool import in 1855, 1860, 1865, being 99m. lbs., 148m. lbs., and 212m. lbs. respectively). We may put it that the pastoral industry had been confirmed in its occupation of Crown land just before political democracy was instituted in the Australian colonies, and thus barely escaped expropriation, that the industry, ignored by the natives and immigrants who preferred to look for gold, had under that pressure been able to lessen its dependence on labour, and that economic conditions overseas had stimulated its growth at the time when the availability of labour and the improvement of internal and external transport facilities provided the necessary conditions of a large development of production and marketing. The Crown, the capitalist, and the resentful colonial himself, had inadvertently worked together to preserve and strengthen the pastoral base of Australian economy.

But in the early 'sixties the gold yield was still so high that it

overshadowed wool in the export figures—Victorian export of gold was falling to 1½m. oz. a year, but the New South Wales figure was rising to ¾m. oz.—and it is evident that wool did not occupy that unchallenged pre-eminence in Australian production which it had occupied in the 'forties. Gold production had involved much supplementary production and business activity.<sup>48</sup> Farming was of course a department upon which the gold development had had various effects, thus New South Wales areas under crop had fallen off in the first half of the 'fifties, to be exceeded by Victorian areas under crop in the second half, though in 1859 New South Wales passed its previous maximum—of 1850, which included Victorian production. Whereas in 1850 there was rather less than one acre under crop per head of population of the eastern colonies and South Australia, in 1860 the cultivated area per head was rather more than an acre, but the improvement had not taken place evenly throughout the colonies: New South Wales and Victoria had increased their aggregate area under crop from 200,000 to 680,000 acres, Victoria contributing 77 per cent of the increase, Tasmania's farms had grown only a little, by far the greater part of the gain had been made in South Australia, which had seven times as much land under crop in 1860 as in 1850, or an additional area which was not far short of the aggregate of land under crop in New South Wales and Tasmania. South Australia, with 125,000 people in 1860, had 429,000 acres of farmlands, or 3·4 acres per head, as compared, e.g., with the 350,000 people of New South Wales (Queensland had been set up as a colony in the previous year), who had 261,000 acres of farmlands, or ·74 per head, and the 538,000 Victorians, with 419,999 acres, or ·78 per head. It is not surprising that a third of the total value of South Australian produce exported consisted of receipts for breadstuffs. These were receipts from other colonies—Australian wheat for instance does not appear in the statistics of United Kingdom imports until 1867—but the steady and rapid development of South Australian farming, to meet the demand of the Australian eastern colonies for bread, was to be an important factor in placing the Australasian colonies at the head of the United Kingdom's colonial wheat-suppliers in 1880, the first year in which they exported more wheat to the British Isles than did the North American colonies. South Australia, again, had even before the period of colonial reconstruction from 1860 achieved a unique balance of export economy, in the 'fifties the colony exported (1) breadstuffs, (2) wool, and (3) copper and other

48. *The Australasian Trade Review*, a Melbourne monthly publication which was subsequently (1903) absorbed by the *Journal of Commerce of Victoria*, included in the 1882 issues a series of descriptions of *Colonial Industries*. Some of these businesses dated back to the early gold days, and owed their existence to the demands of the mines for plant, etc.

metals, to almost equal values. In contrast was the position of New South Wales and Victoria. Neither could supply anything like enough bread to feed its population, and each had to make large grain imports from North and South America as well as from South Australia and Tasmania. Gold made up two-fifths of New South Wales exports in 1860, and two-thirds of Victorian exports, wool somewhat more than a fifth in the case of New South Wales, and in Victoria's case a sixth.

Here, then, was the crux of the employment problem in the gold colonies: few were farming—or could farm, so long as the bulk of the land was kept for sheep, goldmining, the largest export industry, needed far fewer hands than had been engaged in the pre-machine epoch, few men but Australian natives could find boundaries to ride for wages, and though the pastoralists offered work a-plenty to splitters and fencers, they could not be numerous and every post they sunk helped to enclose one more piece of land from the landless majority. For awhile in the 'sixties, it must have seemed to immigrants of the previous decade that their 'colonial experience' must be confined to a choice between navvying for government, fencing the squatters' holdings against themselves, and building mansions and warehouses for the importers and promoters of mining companies who had profited directly from the mining boom. Certainly the tide of immigration into Australasia had slackened—compared with 390,000 who had come in the six years, 1852-7, only 193,000 came in 1858-63—but though years before the future and even present problem of providing for the earlier arrivals had been realized, little had been done. As early as 1855 the commissioners appointed after the Eureka rising had noted 'the difficulty, amounting with thousands to an impossibility,' of investing their gold in land, 'from want of which facilities, many thousands, it is to be feared, have left and are still leaving (Victoria) to enrich other countries with their industry and capital.'<sup>49</sup> The Melbourne Chamber of Commerce in the same year appointed a committee to enquire into the best means of promoting agriculture. The committee reported,<sup>50</sup> 'The present land system is producing the same effects as the English Corn Laws; capital and labour are fast leaving the colony; . . . the price of food is kept at an artificial rate while the wages of labour are falling day by day.' Two years later the position in Victoria had not improved materially. 'While (the wage fall) has enabled the farmer to employ more hands,' the Registrar-General wrote, in his notes on the results of the 1857

49 Report, para. 15, and para. 26 (*Vict. Parly Papers*, 1855-56)

50 Report, p. 17 (*Vict. Pamphlets*, vi pamphlet 10, in the Public Library of Vict.)

census,<sup>51</sup> (it) has at the same time diminished the labourers means of becoming the proprietor of land or even a tenant farmer. Thus, though there were nearly 8 000 Victorian farmers in 1857 as compared with 3 200 in 1854, there were nearly 15 000 farm labourers, as compared with 4,300 before. The average farmer employed two hands, where his prototype of 1854 had employed one, and the farm labourer's wages were down by at least a third. Unskilled labourers wages were 8s a day (the government paid 6s) in 1857, compared with 10s to 15s in 1854 skilled men such as carpenters, bricklayers and masons received 14s or 15s a day compared with 35s to 45s three years before.<sup>52</sup> Yet assisted immigration still went on. In common with you all the president of the Melbourne Chamber of Commerce said in 1855, I have witnessed the extraordinary anomaly of a country paying for the importation of labour while a much larger amount of the same material was to be found daily leaving its shores for those of New Zealand South Australia and the other adjacent colonies.<sup>53</sup> Some land was changing hands, there were half as many farmers again in 1859 as in 1857, and nearly half a million acres was sold by the government in the later years. Also, subsidiary enterprises were being multiplied mills, breweries, foundries, gasworks together with agricultural implement and other manufactures have been extensively introduced it was found in 1858.<sup>54</sup> But the avenues of employment were not wide enough, and after the Otago gold discovery in 1861 thousands of miners emigrated from the mainland to New Zealand. A system of exodus, the *Argus* newspaper put it in 1855 has almost been a characteristic of the community. For some years there seemed to be a contest between the miners and the pastoral class in the desertion of the country. In the case of many of the mining class the chief cause was the exhaustion of the alluvial workings.<sup>55</sup> First there was the rush to Kintdra (New South Wales), then to Queensland, and to Burangong in New South Wales and afterwards a great rush to New Zealand. The emigration of miners reached its height in 1862 since that time it has almost entirely ceased.

On the other hand the pastoral migration has been of longer continuance and more steady. (This was to Queensland)

51 *Vict. Parly. Pprs.* 1857-8 i p 475. R. Brough Smyth's *Goldfields and Mining and Mineral Statistics* and the Victorian and New South Wales Blue Books may be consulted for details of wages etc. in the mining industry. J. T. Sutcliffe's *A History of Trade Unionism in Australia* (Melbourne: Macmillan 1921) discusses (Chapter III) trade union developments in Australia 1850-70.

52 For contemporary wage variations *vide* Melbourne Chamber of Commerce reports *Parity Pprs.* 1856-7 vol. iv part 1 pp 53 *et seq.* 1857-8 i p 367 pp 19 21 53 389 1859-60 iii p 71.

53 Yearly report 1855 pp 8-9 (*Vict. Pamphlets* viii No 10 Pub. Lib. Vict.).

54 Report on the progress and statistics of Victoria 1851-8 p 21 (*Parly. Pprs.* 1857-8).

55 An inaccurate reference *vide* discussion in (i).

Now, about 1860, the half million inhabitants of this inelegant Eden found themselves in this curious situation, that while half of their territory, including most of the usable land, was in the hands of a thousand graziers, the rest could not grow half their own bread requirements.<sup>56</sup> Nor was there much else for most of them to do, now that the great mining days were done. This was the circumstance which originated the sustained attack on the squatting landholders (*vide* Chapter V, ii), and equally, which originated the experiment of tariff protection in Victoria. The protective principle was endorsed in Victoria within ten years of the gold discoveries, and it was put into serious practice from the late 'seventies, though it did not become the tariff policy of Australia until after 1900. For Victoria, tariff protection was an obvious expedient, whatever the wiser long term policy may have been. Here was an undeveloped country—undeveloped save for sheep runs which needed little labour, and mines which could no longer give gainful employment to many scores of thousands of men—but with great resources of labour and capital. These resources or a great part of them were condemned to idleness under the *status quo*. The obvious thing to do was to attempt to change the *status quo*, and one attractive change would be to make the colony a dear market for sellers; then some at least of the idle labour and capital might, protected by a heavy tariff, apply itself to manufacturing industry. And conditions were far more favourable to the experiment in Victoria than elsewhere, because of the colony's relative independence of outside capital, because of its riches from gold-mining, and because it offered local manufacturers a relatively large market, in a small area.

In these circumstances of urgency, there could be no doubt that the protective system would be tried, somehow, capital and labour had to be retained in Victoria. So that when the premier, James McCulloch, a free trader as became the namesake of John Ramsay M'Culloch, the political economist, pleaded the protective principle when imposing new tariff duties in Victoria in 1864, he acted in terms of a political logic as sound as that which a few years earlier had led Sir Robert Peel, a protectionist, to bring about the repeal of the corn laws and the institution of free trade in England. The politicians had no choice. As another free trader-premier, Charles Gavan Duffy, put it in a speech at Castlemaine, Victoria, on 20 March 1872, this was an 'experiment of protection which the country insisted on being made.'

<sup>56</sup> In 1850 Victorian farmers grew 91 per cent of local wheat requirements, in 1853-5, about 16 per cent, in 1859, 44 per cent. *vide* Victorian *Parliamentary Papers*, 1859-60, iif, p. xl)

The early tariffs were not designed to foster specific existing industries by deterring foreign competition, they were systems of high *ad valorem* duties, covering consumers goods generally, and directed without discrimination, against the neighbouring colonies, the United Kingdom, and foreign countries, equally. The object was to incubate rather than protect a local manufacturing industry, for no such industry existed. The free trader gave place to the protectionist when the experiment came to be made seriously, Graham Berry introducing the first comprehensive protective tariff in 1877.

A comparative analysis of the working of the Victorian protective and the New South Wales free trade systems, with a view to measuring their economic effects, would be beyond the scope of this book, even if such an analysis were possible. The census statistics, failing to distinguish in their returns of occupations between employees in 'commerce' and employees in 'manufactures,' indeed make impracticable even the crude test which of the two principal colonies in fact gave the greater volume of employment in manufactures, after their fiscal policies diverged.<sup>57</sup> Reeves writes<sup>58</sup> (in 1900, of the 1880's in Victoria), 'Whatever the economic cost may have been, the protectionist system deliberately adopted had helped to build up manufactures and find employment.' However, be this opinion just or not, one suspects that the history of the fiscal systems remains of interest, less because of what little may be learned of the economic merits of the opposed doctrines, by a study of it, than because of the light that is cast on the very different post 1851 lines of evolution of Victoria and New South Wales, by the mere fact that Victoria 'chose' Protection and New South Wales, Free Trade.

57 According to the Victorian Statist Hayter's Report on the Census of 1891 the percentage of the population employed in commerce and manufactures in the census years 1861-91 was variously

	1861	1871	1881	1891
Victoria	16.35	16.04	16.47	23.49
New South Wales	16.65	16.26	20.55	20.26

These figures do not seem to mean very much. However manufactures employed 88,694 persons in Victoria in 1891 *cf.* 74,759 in New South Wales according to Hayter. But even if we accepted that the tariff was the main cause of this difference we should not be much further forward for the New South Wales Statistician Coghlan reported at the same time that the number of persons in Victoria in 1891 engaged in industrial work was 168,000, in New South Wales 140,000.

58 *State Experiments in Australia and New Zealand* by William Pember Reeves II, p. 4 (London: Grant Richards 1902).

## CHAPTER V

### DEVELOPMENT OF THE ECONOMY OF MODERN AUSTRALIA AND NEW ZEALAND, 1861-90

- i The Wool Industry
- ii Land Selection Legislation
- iii Wheatgrowing
- iv Irrigation
- v Railway Construction and Capital Import
- vi Communications
- vii The Meat Export Industry
- viii The Dairy Products Export Industry
- ix The Mining Revival
- x Manufactures
- xi Tropical Agriculture
- xii Australian Imperialism
- xiii The External Trade of Australasia

THE pastoral equilibrium of Australian economy was upset in the first gold decade, 1851-60, when an access of capital, population and trade connections came upon a society which was based on the typical organization of the wool industry. That was the organization of society in terms of a few flockmasters, bankers and merchants, and a numerous peon class. But after the gold it was not possible to retain long those typical relations of production by which transported convicts and assisted immigrants were placed in service from which no avenue of escape was open to farming, mining, manufacturing, transport or building industries which scarcely existed. The brief epoch of the flockmasters' unchallenged supremacy closed when gold mining broadened and diversified the Australian prospect—no longer a mere range of sheep walks—which stretched before both labour and capital. A 'developmental' period succeeded the fourth of five stages<sup>1</sup> into which Australasian

<sup>1</sup> *see five stages* in terms of the form of capital investment which was typical of successive epochs—(1) the stage of the export of British public capital to Australia (the convict era 1788-1840) (2) the stage of the export to Australia of British private capital to finance the pastoral extension (1834-50) (3) the stage of the creation of capital in the colonial mines (1851-60) (4) the stage of the export to Australasia of British private capital to finance economic development by railway construction chiefly by subscription to colonial government loans but (as at the second stage) also through banks and other company flotations (1861-88) (5) a continuation of the fourth stage but with a novel element inasmuch as in the modern period a remarkable concentration of capital and control takes place rapidly with the development of heavy industry on a base formed by the consolidation and connection of silver lead and coal mining, refining and smelting, shipping and other large capital interests.

In terms of the form of organization of production a more numerous list of stages would be distinguished. For instance stage (1) above would be reduced to (a) the period of fostered peasant proprietary (1790-1820) (b) the period of fostered large freeholding and the assignment of convicts services to pastoralists (1821-34) (c) the period of the drafting of assisted immigrants to the pastoral stations and so on.

economic history may be rationalized, when the effort was made to reach social economic equilibrium by diverse industrial development, supplementary to the pastoral industry which, after a few years in the 'fifties, once more became the export staple of the colonies. What occupied the seven Australasian colonies when the excitement of the 'fifties had passed (but the gold attracted populations remained) was the marshalling of their enhanced capital and labour resources in a manner to seize the advantage which was offered by a world trade now greatly increased as a result of the industrial revolution in the old world, a trade which was given momentum by the gold from America and Australia. Now it was the 'new' countries' turn to profit from the industrial revolution, successive achievements of which made it possible for the communities in America and Australasia to exploit new or enlarged markets in Europe.

An enlarged market was offered by the English woollens manufacture, partly for the reason that increased use of machines, in what for long after the mechanization of the cottons industry remained a handicraft, enlivened the demand for raw wool, and partly because of a special stimulus which the woollens as opposed to the cottons<sup>2</sup> industry received as an incident of the American Civil War (*vide* Chapter IV, iv). But not only did British manufactures—to speak only of the United Kingdom market, which concerned the colonies most—require an ever greater supply of raw materials. In addition, a conception of the colonies as food producers arose as something of their economic possibilities was seen and as the growing British population was placed, with the diversion of much labour to manufacturing industry, in an ever greater dependence upon food supplies from overseas. The prosperity of every 'new' country originated in these situations. The United States of America, the Argentine, Australasia, South Africa, Canada, all found their opportunity of economic growth in the needs of an industrialized Europe, above all of industrialized Britain. Whereas in the first half of the century men as wise as Wakefield perceived that the new countries had 'surplus' land while the old had surplus population, and that the two might profitably be related, in the second half of the century a dullard could understand that the new countries had land and the populations to work it, and that the old

2 The American Civil War had the incidental effect of encouraging cotton growing in Australia (Queensland) to tap the English market opened as a result of the loss of most of the American supply for some years. Cotton was exported from Queensland from 1862 until 1886 the trade being at its height from 1868 to 1873. But in 1889 there was only one acre under cotton in Queensland compared with 11 000 15 000 in 1869-72. Later cotton growing was resumed and in 1933 there were 170 cotton planters in the country employing on the average two hands apiece and 379 persons growing cotton but not employing labour (Commonwealth Census 1933 *Detailed Tables* vol II p 1204).

had factories and people with needs that the colonies and America might meet. But the contingent problems were numerous and difficult. For instance, to produce, carry to the coast and ship to England ten million pounds weight of wool in 1840 was one matter, to do the like with three hundred million pounds, as in 1880, quite another. The four million sheep of 1840 needed pastures less extensive than the eighty million sheep in Australasia in 1880, and the internal and external transport systems of the later period were of necessity vastly different from those of the earlier. If wheat was to be grown in quantities great enough to allow of an export surplus worth shipping, the interior had to be made available for farming, and that involved railways and roads and irrigation works. If meat was to be carried to England, it was not enough that the flocks and herds of Australasia should be abundant; there must be means of transporting perishable goods half-way round the world for delivery in a marketable condition. And that involved the development of preserving and freezing techniques, which in mid-century were tentative or not yet commercially practicable. Again, as concerned Victoria and New South Wales and Queensland, there were problems of the tenure and utilization of land to be solved, problems arising out of the conflicting claims of pastoralists and agriculturists to use land.

The story of Australasia at this formative stage is, then, the story of an economic utilization of the colonies to meet the needs of the imperial country, and to that extent it is no novelty of colonial history. The novelty lies firstly in the diversified nature of the utilization, secondly in the vast scale of it—as compared with the pre-gold scale—and thirdly in its remarkable accompaniments, private inventiveness and public enterprise which were mutually indispensable. The English need for foodstuffs could no longer be met at home, nor could Europe, itself turning to manufactures, meet it, from the 'sixties, home-grown meat could not feed the millions of England; the looms of England were avid for wool—and Australia must be a supplier. So unprecedented millions of capital were poured into the country, to be sunk in railways and farms and sheep stations and irrigation channels. But the old world plough could not furrow a semi-arid soil studded with the roots of dwarf eucalypts, and the old world wheat would not grow there, nor handreapers gather the crop. The sequel came with the work of the Smiths, Farrer, Ridley and McKay. But the Smiths' stump-jump plough could not be applied to pastoral preserves held on old leases, nor Farrer's wheats be grown there for Ridley's stripper or McKay's harvester to reap and winnow. So the state in Australia, introducing land legislation designed to open pastures

to farmers, took upon itself special burdens. The enterprise of farmers and inventors could come to nothing in a country in which a great part of the population, released fairly suddenly from mining gold, could not farm the land because graziers held it in legal tenure. 'The big man's frontier'<sup>3</sup>—the squatters' priority—is probably the chief factor in any explanation of the major part played by the state in developmental work in Australia as compared with, for example, the United States of America. But, state direction of economic policy or mere *laissez faire*, overseas markets or not, idle hands and locked lands, inventive brains or not, there could not have been in Australasia, or in America, a development comparable with that which actually occurred in the thirty years from 1860, had not the capital means of development been supplied. Parliaments sought to unlock the land, but overseas capital made the land usable and gave access to the markets. What we have to consider, in sum, is a simple situation—the origin of a diversified economy in the circumstances of a population streaming away from the mines over an unfarmed land which could help to meet the needs of the trading and producing world, after the application to it of capital, skill and labour. The situation was complicated by the squatters' priority in the principal colonies. It may be best, then, to note first the comparative importance of the wool export to other colonial exports at the beginning and end of the period, then study the land selection laws of Victoria and New South Wales, and then trace the history of the several forms of production with which the colonial populations and British capital concerned themselves at this epoch.

### i. *The Wool Industry*

The single fact which stands out above all others relating to Australia, in this age of sweeping change, is the supremacy of wool, not shaken except for a short time in the 1850's and 1880's, in the colonial economy. The most far-reaching changes in the distribution of colonial employment took place in the generation after the gold. A wealth of personnel, ingenuity and capital was devoted to the production of foods for export. And every colony took advantage, to a greater or less extent, of the old world demand for gold and silver for monetary purposes, supplies of base metals for heavy industry, and of coal for firing ship and factory furnaces. Nevertheless, wool usually contributed more to the value of produce

3. The phrase is from one used by Carter Goodrich in a thoughtful article, 'The Australian and American Labour Movements,' which appeared in the *Economic Record*, Melbourne, for November 1928. He writes, 'Certainly the United States owes its individualism largely to its small man's frontier, I think it is not fanciful to suggest that Australia owes much of its collectivism to the fact that its frontier was hospitable to the large man instead.'

exported than did any other item (save for the incident of Western Australian gold in the last years of the century) Statistics of the relative rates of advance of total export trade and the wool export trade indicate this fact Taking the trade of all Australasia, and comparing the 1890 position with that of 1861, we find that the total of exports increased from £25m value, or £20 per head, to £117m (1861 money terms) or more than £30 per head Wool made up 22 per cent of the 1861 total, 33 per cent of the 1890 total<sup>4</sup> The value of all exports per head had gone up by half that of wool, two and a half times It was a period in which the colonies grew quickly as producers for export and by 1890 *per capita* production for export was far greater than in 1861, but above all it was the old wool industry that had grown After all as long before as 1845, New South Wales had reached first place as the supplier of the world's chief wool market in the United Kingdom, when for the first time the colony marketed more wool than did the German States and after nearly half a century (as indeed is the case nearly a century after that early success) wool remained the principal article of Australasian export (By 1890, a great proportion of the Australian clip was marketed at regular auction sales attended by buyers from many countries, held in Australian cities)<sup>5</sup> This pre-eminence was maintained in spite of the fact that the wool industry continued to employ a comparatively small labour force—in an Australasia concerned to find employment for the breadwinners of three million people instead of a million as in 1861 But though station hands and shearers were not taken on in numbers commensurate with the increase of the flocks—for paddocking machine shearing, and the marketing of wool in the grease enabled the grazier to work his run with proportionately fewer hands than in the earlier age of shepherding and sheep washing<sup>6</sup>—

4 The figures are from *Statistics Six States of Australia and New Zealand 1861 to 1905* by H C L Anderson Sydney Government Printer 1907 The figures are reduced to terms of 1861 by use of the index numbers in *Commonwealth Labour and Industrial Report No 1* (1912) of the Commonwealth Bureau of Census and Statistics

It may be noted that at the earlier date New Zealand exported 11 per cent of the Australasian wool export total and at the later date 18 per cent and New South Wales 22 per cent and 49 per cent and by contrast Victoria 31 per cent and 10 per cent

5 Regular wool auctions were conducted in Sydney by T S Mort from January 1844 in Melbourne Richard Goldbrough began auctioning four years later but the scale of his enterprise was greater than that of Mort and he placed Melbourne at the head of Australian selling centres Sydney did not catch up until the 1892-93 season five years after the two pioneer businesses had been amalgamated as Goldsbrough Mort & Company C J Dennys started auctions at Geelong Victoria in 1857 *vide* for a good account of the Australian wool auctions a series of quite sound unromantic articles entitled *The Romance of Wool Selling*, by R J W(ithers) in Sydney *Daily Telegraph* 20 27 September 10 25 October 14 November 1913

6 An illustration of old style sheep washing (and shearing) in Australia is given in the *Illustrated Sydney News* 30 June 1855 (copy in the Mitchell Library Sydney) at p 351 Men handling long poles shod with a blunt iron prong steer the sheep through a series of three pools At the third pool each sheep is seized and held under a gushing spout after which operation it is placed on a plank staging to dry It was usual to allow several days for thorough drying and in order to give the yolk of the fleece time to rise

the success of the wool industry did attract overseas capital for railway and other construction, and for industries ancillary to wool-growing. And thus employment was given to great numbers.

The sheep of Australasia were five times as numerous in 1891 as in 1861, and wool production was seven and a half times as great. The Australasian percentage of the United Kingdom import of raw wool was 68 per cent, on the average, in the fifteen years 1875-89, as compared with 47 per cent of the smaller import of 1861.<sup>7</sup> These are indications of a remarkable development.

This great pastoral industry, which having been well established since the 'thirties, was now in colonial terms of a respectable antiquity, depended far less on mechanical aids, for its advance, than did the newer sources of wealth from the soil, whether mining, wheatgrowing, or breeding fat beasts for slaughter. Certainly the railway extension which was made at this time was of vital interest to it, as a means of getting the woolbales to the ports—the first railway construction in Australia, a projected Sydney Goulburn line, had been entered upon in the 'forties by pastoralists for pastoralists—and certainly the mechanization of the English woollens industry in the second half of the century, after the invention of good wool combing machines,<sup>8</sup> involved an expansion of the pastoralist's English market. But of comparable importance with such improved facilities of transport and market, were improved production facilities, and the most important of these had, as indicated earlier, the effect of lessening the pastoralist's dependence on manual labour. Between the 'fifties and the nineties millions of acres of the ever expanding pastures was fenced, and the change of practice from shepherding to paddocking which this connoted—a change made as an expedient<sup>9</sup>—proved before long to be much to the pastoralist's advantage. For, when the flocks were allowed to run in fenced paddocks instead of being folded nightly on the unfenced pastures, it was found that the carrying capacity of the runs was apt to be increased by a third, the wool of paddocked sheep was longer and sounder in the staple, the average increase

7 Figures from *Stat Abstracts for the U.K.* 1811-88 1875-89. Page open at 11 pp 140-41 and Anderson *op cit*.

It is worthy of note that even New Zealand, a fine wool producer of comparatively little significance, developed its newer export industries in indirect dependence on the wool export market. Thus in 1885 New Zealand exported frozen meat to the value of £374 000 and butter and cheese to the value of £102 000 and £36 000 respectively—but wool to the value of £32m (NZ Year Book 1937).

8 For the inventions of Josue Heilmann, James Noble and others *vide A History of the Woollen and Worsted Industries* by E. Lipson pp 164 *et seq.* London Black 1921.

9 Graziers especially in Victoria found it impracticable in many cases to depend on their employees in the period of gold rushes in the fifties and in the circumstances it seemed an economy to pay splitters and fencers high wages to fence runs—a practice which was not new but which had not been used much before the gold discoveries. In his *The Australian Agricultural Company* p 248 (Sydney Angus & Robertson 1907) Jesse Gregson relates that the company decided in the sixties to fence its New South Wales pastoral holdings, after the successful experiments of Victorian graziers.

in the weight of the fleece was a third, the sheep grew bigger and lived longer, the lambing average was higher, the evil effects of denudation of the soil by millions of herded feet were no longer experienced, and station working expenses fell as the shepherd and the hutkeeper—one of each occupation had been needed to care for each flock of a few hundred sheep—passed from the scene, and on a run a handful of boundary riders took the place of dozens of them.<sup>10</sup> At this time, too, the old practices of creek-washing, hot-water-washing, and scouring the shorn fleece were discontinued. In 1880, 72 per cent of the wool of New South Wales, again the major wool producer, was marketed in the grease, in 1888, 97 per cent. Afterwards came the economy of machine shearing.

The power-driven machine, which ultimately displaced the old 'blade,' may have been originated as early as 1868, when J. A. B. Higham, a printer, took out the first New South Wales patent of the kind. Another machine was patented in London in 1870 by J. E. A. Gwynne. But the father-to-be of the modern machine shearer, the Irishman Frederick York Wolseley, who had begun experimenting about 1867, thirteen years after his emigration to Australia, took out his first patent on 28 March 1877. He took out further patents in 1884-5, his employee John Howard having made a marketable machine. This was demonstrated in Melbourne in 1885. By the end of this decade, machine shearing was the vogue; for instance, in 1888 the great Dunlop woolshed, New South Wales, had 38 stands fitted with Wolseley machines, for the shearing of the station's 200,000 sheep.<sup>11</sup>

In which colonial areas, then, did woolraising, this expanding industry with labour requirements that did not expand in due proportion, take its way? Figures<sup>12</sup> opposite, for each of four census years at ten-year intervals, show the main centres of production:

It will be seen that New South Wales flocks increased elevenfold and wool production seventeenfold, in the thirty years, compared with the Australasian averages of five and seven and a half respectively. The average New South Wales fleece in 1891 bettered the average of 1861 by 57 per cent (5.4 lbs., cf. 3.45 lbs.), a gain much greater than the average for Australasia (from 3.7 lbs. to 4.4 lbs.). The gain in wool shorn per sheep was most significant in

<sup>10</sup> T. A. Coghlan, writing at a time when a conspectus of the results of paddocking was at length possible, gives most of these points in his *Sheep and Wool in New South Wales*, p. 14; Sydney, Government Printer, 1893.

<sup>11</sup> For the facts of the early patents, *vide This Century of Ours*, ed. A. D. Fraser, pp. 162 *et seq.*, Sydney, 1938. For the Dunlop installations, and a list of New South Wales sheds using shearing machines in 1888, *vide Sydney Daily Telegraph*, September 1888, for a letter from G. N. Griffiths (cutting in vol. 136, newspaper cuttings, Mitchell Library, Sydney). But the reduction of rates of pay for men using machines, under the Pastoralists' Federal Council new rules of 1894, did not, it seems, affect many shearers in Queensland; *vide Queensland Parl. Debates*, 1894, vol. lxxi, for debates on the 1894 pastoral dispute.

<sup>12</sup> Statistics from Anderson, *op. cit.*

WOOL PRODUCTION AND NUMBER OF SHEEP IN THE  
AUSTRALASIAN COLONIES, 1861, 1871, 1881, 1891

(The wool figures represent millions of lbs,  
the sheep figures, millions)

Colony	1861		1871		1881		1891	
	Wool	Sheep	Wool	Sheep	Wool	Sheep	Wool	Sheep
N S W	19	5 <sup>1</sup>	74	16	161	37	321	62
Victoria	27	6	64	10	68	10	69	13
Queensland	12	4	37	7	34	8	83	20
Sth Australia	14	3	28	4	46	7	50	8
W Australia	8	25	2	7 <sup>5</sup>	5	1 <sup>1</sup>	10	2
Tasmania	5	1 <sup>3</sup>	7	1 3	11	2	10	1 6
New Zealand	9 6	3	46	10	69	13	118	18
Australasia	88	24	258	50	393	78	661	125

the merino colonies<sup>13</sup> Admittedly prices had fallen (John Macarthur's record price was 16s 4d per lb, for a single bale lot sold in 1827), and there were few now who recalled the New South Wales average of 2s per lb in 1836, but at one third of the 1836 price the New South Wales clip of 1888 fetched £9m, or thirty times the value of the 1836 clip. The salient facts are (1) that in the second half of the nineteenth century there was a huge increase in the Australasian flocks, but especially in the fine wool (merino) flocks, (2) that because of greater knowledge of the best breeding, keeping, and treating methods, the yield of wool per sheep was much increased, and (3) that nearly half of the additional wool production of 1891 compared with 1861 was the product of New South Wales. That colony had been the scene of the original acclimatization and development of the merino, and at this period it was the merino's widest pasture.

Now, it is to be borne in mind that some of the pastoral advance which has been described is attributable to the practice, a very general one in Australia, of combining wheat farming with grazing. Small grazing was a factor in New South Wales particularly, where in 1891 nearly half the wool of Australasia, and more than

<sup>13</sup> According to the Wool Industry article in the *Australian Encyclopaedia* in the 1920s 87 per cent of New South Wales wool was merino, 58 per cent of Victorian, 99 per cent of Queensland, 96 per cent of South Australia, and 24 per cent of Tasmanian. The table in the text shows a general improvement in the quantity of wool gained per sheep and from the figures it appears that Tasmania (where the flocks were not more numerous in 1891 than in 1861) and New Zealand (where the flocks had been multiplied by six over the period) showed the greatest improvement in total production, namely an 1891 clip double that of 1861. But the differential variations except between merino breeding colonies must not be taken very seriously. Where stress was laid, as in Tasmania and New Zealand, on the breeding of sheep for meat, a heavier fleece is not necessarily significant—the bigger the sheep that could be bred the greater the meat yield, speaking generally and incidentally the greater the (coarse) wool yield.

half the fine wool, was produced, compared with less than a fifth in 1861, the year in which an act was passed in New South Wales to 'unlock the lands to the industrious settler'. The selectors whom that legislation placed upon the land, that was easy to win and hard to hold, made no great contribution to the agricultural output of Australia—it was in South Australia and Victoria that farming was fostered before the 'nineties—but they did contribute towards the pastoral output. Between 1861 and 1891 the small area of New South Wales under crop was increased about three times to less than 900,000 acres, while the flocks were increased eleven times to sixty-two million sheep. Of the small selectors' part, Sir John Robertson, author of the 1861 act, said long afterwards,

We have only a comparatively small population, and they have a right to do with their labour and capital that which they think best. They have done what they thought best, and they thought that farming was not the best thing to do. Yet our own supply of grain approaches much more nearly to the requirements of the country than it did before the Act of 1861 was passed, and even if it were not so, I should like to know how anyone could blame the Land Law of 1861 for it. Surely when a man is put on the land on the easiest terms upon which land was ever given to man in the world, if he will not farm it that cannot be the fault of the law.<sup>14</sup>

What Sir John Robertson expressed so limpidly was not accurate in every respect, in the year after his act the United States Homestead Act had been passed, and it, perhaps, had given land on the easiest terms upon which land was ever given to poor men in the world. However, if we are to inform ourselves of the varied fortunes of grazing and farming in relation to each other, in the main colonies, the legislative attempts which were made to open land to farmers must be studied. Of such attempts, the Robertson Land Act is the logical as well as the chronological starting point, for the colony which it affected was, at the time of the enactment, of all Australasia that which stood most in need of farms.

## II. *Land Selection Legislation*

Pastoralists had obtained the greater part of seven million acres which had been alienated in New South Wales, and forty-nine million acres which had been leased, up to the passing of Robertson's Crown Lands Alienation Act 1861. Less than 300,000 acres was under crop in the colony, or an area equivalent to less than two-thirds of the Victorian or South Australian area under crop, and farming was still confined to the rich flats east of the mountains,

14. *cit Fifty Years in the Making of Australian History*, by Henry Parkes II, pp 112 *et seq*, London, Longmans, 1882

where it had now an inconspicuous history of seventy years. The oldest colony was least equipped to feed its people.

When Robertson's Act became law in New South Wales, it seemed that an adjustment of this situation was likely. On 22 February 1858, the *New South Wales Government Gazette* had announced that all new pastoral leases would be subject to future legislation, and three years later Robertson, himself a pastoralist, carried his selection bill through the colonial parliament. The attempt to enforce its provisions was made with none of the brusqueness that land-law reformers in Victoria presently used, and unsuccessful as the 1861 measure proved as a means of encouraging agricultural settlement, the act remained unamended for ten years and was only amended—in the squatter's favour—on two other occasions, before the enactment of a stronger measure in 1882. 'In the legislation which I introduced,' Robertson said many years after 1861, 'I protected by every means in my power every existing right. . . . None of these lands were allowed to be invaded during the currency of the leases.' So in New South Wales the campaign to break the monopoly of the pastoral tenants of the Crown began without even such a step as Victoria was to take in the prospective small settler's interest, namely, the limitation of pastoral tenancies to a yearly lease basis. Robertson's Act authorized the settlement of pastures, on the expiration of lease, in blocks of 40-640 acres, which might be selected before survey. A purchase price of £1 per acre, on a deposit of 5s. per acre, was specified, and residence and improvements were conditions of tenure. But pastoral tenancies which had not run out, and which had been made before 22 February 1858, were exempted from selection, and pastoral lessees might buy at £1 per acre one square mile out of every twenty-five square miles held under lease (The United States Homestead Act of 1862 permitted of the selection of blocks of 160 acres, which would become the property of the selector after five years' residence.)

Immediately the 1861 act came into force pastoralists set themselves to make it ineffective. Its own provisions or some of them made their task comparatively simple. Thus it permitted of selection by any person over two years of age, and it was easy for 'dummy' selectors, that is, pastoralists' nominees, to take up large areas with the assistance of their families down to toddlers. The 1861 act, Coghlan writes,<sup>15</sup> was 'a law which made perjury a commonplace incident in the lives of thousands of people.' He adds, 'As a rule the squatters were content to let matters remain as they were, relying upon their superior command of money, and ability to

15 *Labour and Industry in Australia*, by T. A. Coghlan, III, p. 1,350, Oxford, 1918.

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meet fraud with fraud, to defeat the free selectors who menaced their runs.' The practice of 'peacocking,' that is, closing a run to effective agricultural settlement, by squatters' selecting areas about all waterholes, was found an adequate defence where 'dummying' on a sufficient scale could not easily be arranged. Unquestionably, such malpractices, including fraudulent selection by small men who had no intention of farming but proposed to blackmail squatters, made the 1861 act almost useless as a means of extending agriculture. By 1866 the New South Wales area under crop had gone up by half as compared with 1861, but the number of sheep in the colony was more than doubled (116 as compared with 56 million). In the year after the act the colony's broadstuffs imports were nearly £5m. (more than half of the payment going to South Australia), and as late as 1879 they amounted to rather more than that sum; by then the population was twice that of 1861 and the sheep population six times as great. The failure of the act is indicated by a comparison of some statistics of the first three years and the last three years of its operation. In the earlier period, 19,000 occupiers farmed 300,000 acres, in the later period, 40,000 occupiers farmed 700,000 acres. That is, 21,000 farmers had been settled. But during the twenty-three years of the act, more than twenty-three million acres had been sold under its conditional purchase provisions—out of this great area, only 400,000 acres was under crop. Men without capital had not been able to win their 'stake in the country' in the face of the moneyed interests in the colony. 'On behalf of the squatters,' Coghlan sums up,<sup>16</sup> 'it is claimed that they were forced to buy land in order to protect their fortunes, which were sunk in their runs; and on behalf of the banks from which the squatters obtained money, that they were compelled to protect their own interests, which were deeply involved in the pastoral industry of the country.' Amending Acts of 1875 and 1880 (as well as an 1872 amendment permitting the sale of selections at auction for cash) made easier this policy of 'protection.' The 1875 amendment reduced from six months to a month the period which must elapse before land could be sold at auction after gazettal of sale; terms were cash. Now, the farmer with ready money or bank credit was a rarity, the squatter not so, and in those circumstances most sales were to squatters, the majority of blocks sold at auction passed from the Crown at the minimum of £1 per acre—squatters did not bid against each other. Then in 1880 the value of improvements which the selector had to make as a condition of tenure was reduced from £1 to 10s. per acre. To repeat Coghlan's sufficient commentary upon this amendment,

<sup>16</sup> *op cit*, III, p. 1,346.

There can be no question that under the act of 1880 "dummying" was carried on far more extensively than ever before in New South Wales, and investigations made later showed that in some cases the pastoralists went to the extreme of obtaining paupers from the asylums for old men, to take up land on their behalf.<sup>17</sup> And where legitimate selection was made it was usually for grazing, or grazing and cultivation. In the result, the New South Wales area under crop was not much more than doubled in 1861-80, while Victoria's was increased three and a half times; and in 1890 New South Wales farmlands were less than three times as extensive as thirty years before, as compared with a fivefold increase of those of Victoria. However, it was not that pastoralists' opposition to selection legislation was less keen in Victoria than in the neighbour colony, other factors, which will be better consulted after notice of selection laws in Victoria, operated specially to hinder the attempt in New South Wales to clear the way for the farmer to 'the only bank that does not break—a bank of earth.'<sup>18</sup>

Acts of 1861-2<sup>19</sup> established the principle of selection in Victoria. The Sale of Crown Lands Act 1861 (the Nicholson Act) provided that all country Crown land could be sold by selection of blocks up to 640 acres; three million acres was to be surveyed for the purpose of being thrown open to selection. In July 1862, regulations under the Nicholson Act provided that pastoral occupiers should hold their runs under yearly tenancy by licence—the Order-in-Council of 1847 had not been allowed to come into full operation in Victoria—and an amending act of the same year (the Duffy Act) provided that ten million acres (the whole of the colony's prime arable land) should be proclaimed to be agricultural lands, two-fifths of this area, then occupied by pastoralists under licence, was to be made available for selection at £1 per acre, almost immediately, a quarter of the proceeds of land sales would be devoted to immigration; the selector must fence or cultivate one acre in ten, within a year of taking possession; pastoral licences, no more of which would be issued after 1 January 1870, would carry an obligation to pay poll tax of 8d. per sheep and 2s. per head of cattle depastured. 'dummying' was made punishable. A further amendment in 1865 (the Grant Act) threw open to selection an additional eight million acres, and liberalized the terms upon which a *bona fide* agricultural settler could secure the freehold of his block. A further amendment in 1869 threw open to selection the whole of the remaining Crown

17. *ibid.*, III, p. 1,356

18. Speech of the Premier of Victoria, Charles Gavan Duffy, at Castlemaine, Victoria, 20 March 1872.

19. There is a good short account of Victorian selection and other land legislation in the Victorian Year Book, 1889-90, pp 235-242. The selection acts were 24 Vict., No. 117, 25 Vict., No 145, 28 Vict., No 237, and 33 Vict., No 360.

land of the colony, and reduced the maximum selection which might be made to 320 acres.

Of the act which he had sponsored, Charles Gavan Duffy said, 'The Land Act of 1862 failed through the iniquitous conspiracies of the squatters.'<sup>20</sup> The Blue Books show that, at the end of 1864, after Duffy's Act and before Grant's Act—which was to prove the most effective of the selection acts—1,161 pastoralists held nearly 29m. acres under licence (compared with 31½m. acres in 1856). In addition, nearly six million acres of Crown land had been sold, for nearly £12m. Of the six million acres, 14m. had been sold in 1863-4, the first selection period, for £188m. The question is was it selectors, or was it pastoralists, who had bought most of the land recently sold?

Some land undoubtedly passed to farmers, after the Duffy Act came into force, there were now 18,000 holdings, as compared with 14,000 before the act—but the area under crop was only twenty per cent greater than before, for 4,000 farmers had not spent nearly £2m. on the purchase of selections. As the Melbourne *Argus* recorded in 1865,

The squatters still have the land. . . Much of the very best land of the colony has passed away for ever to the pastoral tenants under the very Bill which was intended to provide farms for the people, and particularly under those very provisions of the Act of 1862 which were insisted on by 'the Corner'<sup>21</sup> as specially valuable to the poorer classes who might desire to settle upon the lands. The system of deferred payments placed in the hands of the squatter, not only the opportunity to acquire the freehold of the soil, but it gave him eight years to pay the purchase money of one half the selected allotment at the rate of 2s 6d. per acre per annum . . . Every risk was run (by the squatters) for the chance of securing the land. Relatives, friends, and agents of all kinds figured amongst the applicants.

The result has been the acquirement by many of the squatters of magnificent freehold estates from the Crown for a consideration wholly inadequate . . . Wherever the prizes have been valuable, these agents have been created by the capitalist—nearly always the holder of the run—in numbers which have extinguished the chance of the *bona fide* agricultural settler. . . The conditions of selection and the penalties of the Duffy Act were never enforced. Everybody went in for the land swindle whether he wanted land or not.<sup>22</sup>

There may not have been much cogency in the newspaper's argument that the 1865 system of deferred payments favoured the squatter rather than the legitimate selector—indeed, the magnitude of the average payments made in 1862-4 connotes that persons

<sup>20</sup> Speech at Kyneton, Victoria, 26 June 1871

<sup>21</sup> i.e., the Land Reform Party, led by Wilson Grey, in the Victorian Legislative Assembly, 1860-62

<sup>22</sup> *vide Argus* files for October 1865 *cf.* the squatters' point of view, as given in, e.g. *The Land Question Considered in Reference to the Pastoral Occupancy in Victoria*, by a committee of the Pastoral Association this pamphlet was prepared as a reply to A. Michie's *Victoria, Retrospective and Prospective*, 1886. Copies are in Victorian Pamphlets Public Library of Victoria, volumes lxxvi, lv.

of more substance than were selectors had made the bulk of them—but there seems no doubt as to the truth of the picture in general. However, the Grant Act of 1865 did something to put farmers on the land. The Commissioners of Crown Lands and Survey found<sup>23</sup> that after the 1865 amendment 2,519 improving tenants were settled during two seasons on 706,800 acres improved to the extent of £437,338 spent. Their comment was,

Such a result, considering the advanced period of the year 1865 at which the selections were commenced, the unfavourable character of that season, and the organized efforts made to frustrate the legitimate operation of the Amending Act, cannot but be accepted as a favourable indication of the success of this portion of the Act. Notwithstanding these satisfactory results, it is but right to observe that a large number of *bona fide* applicants have attended at the Land Offices unsuccessfully.

In 1871 Graham Berry, leader with Gavin Duff of a Radical<sup>24</sup> ministry which had just taken office, spoke of 'the 30,000 men who have settled on the land under the Land Act of 1865'.<sup>25</sup> But actually the *total* of holdings, exclusive of pastoral lease holdings, in 1870 was only 30,214, as compared with 18,355 farms in 1864-5,<sup>26</sup> and although in Victoria agricultural settlement was certainly carried out more extensively than in New South Wales, so that by 1875 the area under crop amounted to more than a million acres, Professor Shann's picturesque conclusion is probably true of that colony as of the other—'And it came to pass that demagogues dispersed the public estate and pastoralists gathered up the freehold thereof.'<sup>27</sup> But afterwards it came to pass that banks and agency companies gathered up the freehold from the pastoralists. The Forbes Act of 1834, which encouraged the importation of British capital, Wentworth's 1843 Liens on Wool Act, which facilitated the application of such capital, and the Selection Acts of the 'sixties, which indirectly had the effect of mortgaging the pastoralists still further to finance capital, which provided them with the means of protecting their estates, are legislative steps towards this subordination of the producers to the financiers.

In the case of Victoria, agricultural settlement progressed with comparative steadiness throughout the last third of the century, whereas in New South Wales there was slow progress until the 'nineties, by the end of which decade the area under crop was

<sup>23</sup> Report in *Victorian Parliamentary Papers* 1867, p. 669 *et seq.*

<sup>24</sup> *vide* Graham Berry's speech at Geelong, Victoria, 28 June 1871. For the first time in my memory as a public man a Ministry has been formed that is not dominated over by any of the great interests of this country. We have no squatters in it, no bankers in it, and no merchants in it. There has been no Government that has not been under the control of one or other of this community of interests.

<sup>25</sup> *ibid.*

<sup>26</sup> *Victorian Year Book* 1871, p. 140.

<sup>27</sup> *An Economic History of Australia*, p. 233. CUP, 1930.

more than eight times that of the first Land Act year, as compared with a sevenfold increase in Victoria (the Victorian total was still 27 per cent greater than the New South Wales total). It would appear, then, from the demonstrated fact of the 'nineties that agricultural settlement on a large scale was practicable in New South Wales, that it was not a special intractability of that colony's soil to the plough that vitiated its selection legislation of the 'sixties. The hindrance of lack of capital on the part of selectors was as real in Victoria as in New South Wales, and there is little to show that the Pastoral Association fought more vigorously, or with less scruples, in New South Wales. Yet certainly the Victorian land policies of the 'sixties met with a measure of success such as New South Wales did not experience. The explanation of this difference probably is not to be found in any single factor. The difficulty of transporting grain over the mountain barrier was no doubt an impediment to the extension of New South Wales agriculture, until the railway development—New South Wales added only 515 miles of new railway line in the 'seventies, as compared with 925 miles in the much smaller colony of Victoria, whereas in 1881-8 the respective additions were 1,065 and 819—and then in the 'nineties New South Wales farmland was increased by more than one and a half million acres, or nearly three times the increase made in the thirty years from 1861. Again, a large country like New South Wales was at a disadvantage when problems of soil utilization had to be attacked, compared with concentrated settlements like those of Victoria and South Australia. So in Victoria state experimental farming and agricultural education were entered upon several years before attention was given such things in New South Wales. Further, Victoria, whose wheat areas are largely in proximity to those of South Australia, was for various reasons in a position to adopt results of work in that colony, where something in the nature of scientific agriculture had been in existence since the 'forties. This will come out when we study the history of Australian wheat-growing in general.

#### *in. Wheatgrowing*

Wheat was the principal crop grown in the Australian colonies, from the year of first settlement, 1788, and wheat was exported over-cas from South Australia by the late 'forties. Nevertheless, Australians could not meet their own breadstuffs requirements until nearly a century had passed after Phillip's landing, and it was not until the twentieth century that Australia was able to make a serious bid for a share in the rapidly growing business of supplying the United Kingdom. To illustrate the comparatively slow tempo

of colonial agricultural development. England's chief suppliers, the United States of America, were producing when the nineteenth century ended as much wheat as they would produce in an average year a generation later; but the average 'nineties harvests of all Australasia aggregated but a twelfth or a fifteenth of the American harvest, and scarcely a quarter of the modern Australasian aggregate. The reasons for this difference in the rate of progress, as between the two new worlds, include the greater extent and better quality of arable America, and its relative nearness to the British market, and the impediment of pastoral priority in Australia.

But our primary concern is the actual course of the development which took place in Australia. Australian agriculture was extended in the second half of the century to satisfy a local market much expanded by the access of population after the gold discoveries, and it was in the last quarter of the century that the colonies were able to arrive at the production of a wheat surplus for export.

In eighteenth-century New South Wales, farming had been started by a ship's clerk and a smith, besides two men who had been farmers in England. Only one of five superintendents sent out with the First Fleet 'to instruct the convicts in agriculture' was a farmer, and the first Australian settler to support himself by his labours on the land was a time-expired convict, James Ruse, who worked on his own account so successfully that he was free of 'the store' after he had gathered his 1791-2 harvest. Still in the 1830's, most of the small New South Wales harvest was gathered in the Windsor district, just outside Sydney, though by this time wheat was being grown beyond the mountains, the Bathurst district, on the Central Table Land, yielding an average wheat crop of nineteen bushels to the acre from 3,000 acres. But progress was slow, while the soil of the coastal districts, where the farmers lived, was being exhausted by almost incessant cultivation—the 1831 crop from 1,500 acres under wheat at Parramatta, a scene of early subsistence-farming, averaged no more than twelve bushels per acre.<sup>28</sup> Even fifty years later, New South Wales agriculture, as we have noticed, had made small progress. Victoria, settled as an incident of the pastoral extension of the 'thirties, was not the scene of directed agricultural effort until late in the 'fifties. Van Diemen's Land or Tasmania was a granary early, but both before and after the first gold epoch, the importation of breadstuffs from South America and elsewhere was a commonplace in the economy of Victoria and New South Wales. South Australia, on the other hand, was, from its first settlement, farmers' ground, and it was

<sup>28</sup> *vide*, for district acreages and crop averages, *The Colony of New South Wales, 1831*, an official compilation, one copy of which (in MS) is in the Mitchell Library, Sydney, and the other in the Public Record Office London.

there that the first steps were taken to adapt and devise farming methods to suit local conditions.

Wheat was harvested in South Australia from 1838-9, when twenty acres of wheatfield was reaped in the confines of the modern city of Adelaide. Two years later a twenty-bushel harvest was gathered from a thousand acres under wheat, and before another three years had passed, South Australian farmers were beginning to use techniques which were new to the colonies. Labour was scarce and dear, in the season 1842-3—the primitive Adelaide farmers had their harvest taken off by hand-reapers, who required 15s. and a bottle of rum per acre—and ‘the sirocco,’ the hot dry wind from the north, might, as the farmers knew, spoil or scatter the ripe ears while the scythes swept through the standing corn. The cost of harvesting, and the time taken, had to be reduced. John Ridley’s stripper was the solution. A contemporary wrote,<sup>29</sup> ‘I had for many weeks (in 1843) been pondering over plans for applying machinery to a standing crop, and had passed many sleepless hours in bed, and had been remonstrated with by my good wife, who said I should lose my senses.’ This settler, J. W. Bull, met with small encouragement when he spoke at large about his ultimate ‘discovery of a locomotive thresher,’ but when in the course of the year a corn exchange committee in Adelaide offered a prize for a mechanical harvester, Bull exhibited a working model. Ridley, according to Bull, saw the model, ‘approved of my idea, and afterwards adopted it.’ Ridley himself acknowledged no debt save to the Gauls,<sup>30</sup> but whatever be the true account of the origin of his stripper it remains true that an epoch in Australian economic history began when Ridley’s first reaping machine harvested some farmers’ crops in 1843. Where it was used, the cost of harvesting was reduced by more than half,<sup>31</sup> and the machine stripped the ears in a uniform condition of excellence which was found to be unchanged when South Australian wheat was placed upon the

<sup>29</sup> *Early Experiences of Life in South Australia*, by J. W. Bull, p. 157, Adelaide, Wigg, 1884.

<sup>30</sup> In February 1861, Ridley said, in thanking old South Australian colonists who had met in London to make a presentation to him, ‘I got my machine . . . from Pliny, who said it was used by the Gauls.’

<sup>31</sup> F. B. Guthrie, sometime chemist in the New South Wales Department of Agriculture, writes in his generally useful article, ‘Wheat,’ in the *Australian Encyclopaedia* that Ridley’s stripper reduced the cost of harvesting from 3s. to 3½d. per bushel. But it seems that the first machine reapers hardly made so great a reduction of costs. Anne E. Ridley gives (*A Backward Glance*, p. 97) the figure of 3½d. as the cost of harvesting with the stripper. But Bull gives the cost of hand-reaping in South Australia in 1843 as 15s. per acre, a figure which is given also by the contemporary observer, F. Lancelott (*Australa As It Is*, i, p. 147, London Colburn, 1852). Lancelott says that the average cost of production per bushel was 2s. 9d. with hand-reaping and 2s. 2d. with the machine. If hand-reaping cost about a shilling a bushel of this, as Bull says, and Lancelott by inference agrees, and the machine reduced the cost of harvesting by 7d. per bushel, as Lancelott says, we have something like the significance of Ridley’s first stripper as a labour-saving device.

London market. Within a generation or so, 30,000 Ridley strippers were in use in south-eastern Australia.<sup>32</sup> By reducing labour costs and harvesting-time, it gave a stimulus to wheatfarming wherever in the settled districts of Australia the harvest weather resembled the typical dry November-December season of South Australia. Within a few days of the first use of Ridley's original machine on an Adelaide farm, a local newspaper writer forecast accurately what would follow. He wrote,<sup>33</sup>

By the invention and successful manufacture of this machine the colonists . . . will be enabled to compete successfully in the British markets. And it is possible that in time they may be enabled to create a taste for wheat and wheat bread in the Eastern markets and supersede to a great extent the use of rice.

But the earliest great gain which Ridley's invention brought about was the opportunity it gave South Australian farmers to develop a large and profitable grain and flour export trade to the neighbouring colonies after the discovery of gold and the rapid increase of their populations by immigration. The other benefits came later. When the intercolonial trade fell off after the 'fifties, in days when Victoria was striving towards breadstuffs self-sufficiency by placing its surplus mines on the land, the 80 to 160-acre farms of yesteryear in South Australia were no longer economic.<sup>34</sup> Later, production costs had to be lowered still further, to compete with Russian and American shippers to the English market. Large holdings became necessary, as well as machine harvesting and improved methods of cultivation. Still later, the Far Eastern markets in China and Japan became of profit to Australian wheatgrowers. And not the least part of the significance of Ridley's contribution is that, improved in minor particulars but unaltered in principle during the next forty years<sup>35</sup>—though Ridley never attempted to

32 *vide* Annie E. Ridley *op cit* for collected contemporary evidence of the quickly extended use of her father's machine. The stripper (which may be said to have saved the whole agricultural interest from ruin—Lancelott *op cit* i pp 105-6) was a body 4ft 6in wide built on wheels; it could be driven through a standing crop from behind by two horses or bullocks harnessed to a pole. However, the rear propulsion was at an early date replaced by the side draught at present in use—Parsons *John Ridley* p 1 with his illustration of a Ridley stripper. Beaters were fitted within the body of the machine; they made 600 revolutions a minute. A metal comb set in front of the beaters caught the ears of wheat with its teeth 18 in by 1 in, and the ears guided back by the beaters were threshed thence to fall into a 9-bushel box at the bottom of the machine while some of the chaff flew off through a flue at the back. That Lancelott's description Guthrie (*loc cit*) says that the beaters threw the grain and chaff into a receptacle at the back, this was emptied periodically, and the grain and chaff winnowed in a winnowing machine. A publication of H. V. McKay Pty Ltd *A Farm Smithy* (Melbourne 1928) gives an anecdote to similar effect.

33 *South Australian*, 19 December 1843.

34 *cf* *Higher Cultivation in Connection with South Australian Agriculture* a paper read to the Adelaide Chamber of Commerce by Frederick Wurm (Adelaide *Advertiser*, 1889) for the changed situation.

35 *vide* letter of 10 July 1877, *cit* Annie E. Ridley *op cit*, pp. 99, 100.

patent his machine—his machine in use gave H V McKay his notion for a combined harvester, this made another revolution of Australian agriculture in the half century after the mid 'eighties

But before proceeding to notice the many mechanical developments that followed from Ridley's stripper, we may retrace our steps to examine the methods of cultivation which Australian farmers had used. These had been of a rudimentary kind. Outside South Australia, the colonial farmers paid very little attention to the breeds of wheat best suited to their conditions, or to conservation of their soil by rotation of crops or the use of manure. The necessity of fallow and rotation, which was understood in the classic times to which Ridley returned for his machine, was a closed book to most of his contemporaries, and except where his reaper was used,<sup>36</sup> they did not interest themselves in selecting breeds of wheat. 'The wheats which were grown first,' the great breeder, William Farrer, said afterwards,<sup>37</sup> were varieties which had won their reputation in a climate which in most of its peculiarities is the very reverse of our own. It is hardly surprising that they yielded more of disappointment than of profit. The old world wheats ripened overlate, their ears could not resist the hot winds of Australian summers, and they were susceptible to diseases such as spring and summer rust. New South Wales farmers had experienced these disabilities longest, and might have been expected to be first to try to overcome them. But the offsetting factor of the overwhelming weight of interest in woolgrowing, from the time that free immigrants with capital arrived in numbers at Sydney, gives part of the explanation why the New South Wales farmer showed little enterprise. Then, for years after the passage of Robertson's Act, it happened that season after season was adverse, whereas in Victoria and South Australia better fortune was experienced.<sup>38</sup> Even there, summer rust seriously affected the harvest in 1863-4 and 1864-5, and only some farmers were practising systems of fallowing, manuring and rotation. The surveyor Lance Lott, who gives<sup>39</sup> an invaluable account of mid century colonial farming, mentions 'instances where successional crops of wheat have been reaped for ten years without once fallowing'. Most Australian farmers,' he noted, pursue the unwise system of growing nothing but wheat year after year, until the soil is "run out," when manuring,

36 Farmers harvesting with the reaper had to use wheats which lent themselves to the machine. There were the white thrush Brodys prolific Duffields creeping and Fromes wheat (Lance Lott *op cit* i p 115)

37 The Making and Improvement of Wheats for Australian Conditions *Agric Gazette of N.S.W.* vol ix 1898

38 cf *Cogblan op cit* iii p 1193 The vicissitudes of climate in New South Wales during the period 1862-70 were very extraordinary and did much to hinder the progress of agriculture. The farmers were everywhere disheartened and their methods became careless as they came to consider it a mere chance whether they would be able to gather in a crop or would lose the fruit of their labours by flood or drought

39 *op cit* i Chapter VI. The citations are from pp 110 *et seq*

fallowing, or trench-ploughing becomes indispensable.' At this time it might be a matter of pride, to tire rich land with wheat.<sup>40</sup> Even in the 'eighties the cruder sort of Australian farmer, 'degraded to the name, or sobriquet, of Cockatoo,'<sup>41</sup> was still little interested in any technique of cultivation, even as to manure, he 'did not seem to believe in its advantages.'<sup>42</sup> Yet scientific aid had long been available, and the advantages of superphosphate were known in Europe as early as the beginning of the 'forties. English traders were sifting the soil of Europe for bones for English farmers to crush for use in their fields. But of such sifting activities the Australian farmer remained ignorant or careless. For half a dozen years after the arrival of the First Fleet he had cultivated with no instrument better than a hoe, and he still turned up the soil with his 'colonial plough' of wood,<sup>43</sup> drawn by a pair of bullocks. Laggard behind the English farmer in soil culture, sharing with the American farmer a carelessness for the abundant soil, the colonial farmer outside South Australia scratched for a living.

But 'many of the intelligent moneyed farmers' of South Australia, paying 'some regard to fallowing, manuring, rotation of crops, etc.,'<sup>44</sup> early learned something of contemporary work in Europe, and in 1846 an analysis of local soil was made, the London analyst advising the addition of some Peruvian guano.<sup>45</sup> (But guano and sulphate of lime were found in South Australia.) Manures were used in South Australia from the late 'forties in the wheatlands,<sup>46</sup> and 'many intelligent agriculturists' improved on the last resort fallowing method of the soil-wasters.<sup>47</sup> The practice of bare fallow was customary in all colonies by the 'eighties, it had been used first in South Australia and was carried into Victoria and thence

40. cf *London Journal*, 13 January 1849, where it is boasted that on land in the Swan River valley sixteen successive wheat crops had been grown without the use of manure, the sixteenth crop yielding as much as 25 bushels, per acre.

41. *Australian Agricultural and Live Stock Farming* by W. Johnstone p. 13, Sydney, Jarrett, 1886, copy in *Agriculture Pamphlets*, vol. 32, Public Library of Victoria.

42. *ibid.*, p. 11.

43. Lancelott, *op. cit.*, i, p. 113, cf article, 'The Progress of Agriculture,' by N. C. Meeker, in the *American Year Book and National Register* 1869 p. 627 for the important labour-saving device, the 'cast iron plough,' which, the author writes, is 'generally considered an American invention.'

44. Lancelott, *op. cit.*, i, pp. 110 et seq.

45. *vide Foundation and Early Settlement of South Australia*, by A. Grenfell Price, pp. 227-8, Adelaide, Prese, 1924.

46. Lancelott, *op. cit.*, i, p. 110. Later, Professor John Daniel Custance conducted experiments, trying the old bonedust and guano system as a manure for wheatlands, in connection with Rosworthy Agricultural College, South Australia. By the middle 1880's, he had demonstrated the unique advantages of superphosphate. Professor William Lowrie was advocating the sowing of crops in manured ground (*vide* 'The Story of the Mallee,' by A. S. Kenyon, *Victorian Historical Magazine*, iv, at p. 179).

47. The crude method that had been used was to leave the land unploughed after the December harvest until the spring, when it was ploughed after stock had been turned in to eat off the self-sown growth, the land was ploughed again in the autumn, and (April-May) sown. The improved method kept half of the wheat block in crop, and of the remaining half, half in hay and half fallow. Later a rotation of bare fallow, wheat, oats, or bare fallow, wheat, oats pasture, or bare fallow, wheat, oats, rape or peas, was generally used.

into New South Wales, after the farming occupation of the Victorian Wimmera district, in which immigrants from South Australia participated.<sup>48</sup> Quantitatively as well as qualitatively, South Australia led Australian agriculture until late in the century, when the elaboration of dry farming techniques made possible a great extension of Victorian and New South Wales wheatfarming. Enabling and accompanying this extension were the state institution of agricultural teaching and research, state railway and irrigation construction, and private experimental breeding of wheat varieties and invention of farm machinery. Across the Pacific, where the state played, after the Homestead Act of 1862, a less important part in encouraging agriculture, favourable natural and other conditions made possible a much vaster farming enterprise. In spite of the difference of scale, however, the story of small farming settlement in the 'sixties and later has this feature common to America and Australia: the new farmers as a rule lacked capital, had to mortgage their land to provide necessary equipment, and in many cases pioneered the soil without gain to themselves.<sup>49</sup> The United States government was more forward than the colonial governments in providing for agricultural education and research. The Morrill Act, in the year (1862) of the Homestead Act, authorized Federal grants to states to finance agricultural colleges; it was late in the 'seventies before any Australian government did much in this direction. (Still, soon after the establishment in 1862 of a U.S. Department of Agriculture, arrangements were made for the exchange of cereals, etc., with the Melbourne Botanical Gardens.) Canterbury, New Zealand, was the scene of the first institution for agricultural teaching in the southern hemisphere (Lincoln Agricultural College, 1880), in 1885 the Dookie and Roseworthy Agricultural Colleges were founded in Victoria and South Australia respectively, in the same year, according to Angus Mackay's *Elements of Australian Agriculture* (Sydney: John Sands, 1885), classes in agricultural subjects were being con-

<sup>48</sup> *vide* *Adventures of Bird-fallow* by E. Tudney, *Agric. Gaz. of N.S.W.* July 1890.

<sup>49</sup> John Andrews writes in a Sydney thesis on *Development Policy and Agricultural Settlement in Southern Australia 1890-1930* (unpublished at the time when the present writer consulted Mr C. Hartley Grittan's notes of its contents). Many (of the farmers cited live in the nineteenth century) broke under the continued strain of dropping prices and severe drought in the middle nineties: their farms passed into other hands at a lower capitalization and the losses were absorbed by the community. The process is so common in Austral in farming history that it will be referred to time and again: in the early farms in Gippsland the early irrigation farms of the Murrumbidgee the first small dairy farms of the Richmond River in the barren and treacherous sandhills of the outback sheep stations the pioneers were mostly broken on the wheel of money and only the second and third farmers could establish a sound economy.

*cf.* for an account of small farmers' financial troubles in the United States *American Economic History* by H. L. Fulkner pp. 423-4 New York: Harper 1924. *cf.* also *The United States Since 1865* by Louis M. Hacker and Benjamin B. Kendrick p. 179 (New York: Crofts 1932). For nearly the whole thirty years of the seventies, eighties and nineties American agriculture though it extended its horizons almost boundlessly was in reality being operated at a small profit or none at all. The only thing that sustained the individual farmer was the constant appreciation of land values.

ducted for the New South Wales Department of Agriculture in Sydney, and in 1888 the Hawkesbury Agricultural College was founded; in that year a second Victorian institution was founded at Longerenong, in the Wimmera.<sup>50</sup>

The state's initiative in the establishment of railways in Australia—a circumstance in which the Australian farmer was happier than the American—will be considered a little later. First, bearing in mind that in the United States, as in Australia, farm machinery was invented which assisted greatly the progress of agriculture, we must note that three major developments began in Australia in the late 'seventies and 'eighties which would help to bring the country to supplying food for the United Kingdom, which then got the bulk of its grain import from Russia and America. These developments were the invention of a stripper-harvester by H. V. McKay, a Victorian farmer, and of a stump-jumping plough by R. B. and C. H. Smith and J. W. Stott, of South Australia; the wheat-breeding experiments of William Farrer, and the state encouragement of irrigation schemes, especially on the part of the government of Victoria. Taken together, these—with railway construction—had the effect of opening to the wheatgrower many millions of acres in the inland country of low rainfall. Improvements in cultivation and harvesting, in water supply and transport, had such effect that even New South Wales increased its acreage under wheat (by more than a million acres from the beginning of the 'nineties) until, in 1898, the colony, for the first time, had a surplus for export, after that the colonies between them added, on the average, a million acres to their wheatlands during every three years. The significance of this is realized when we note that by the opening of the nineteen-thirties Australia was eighth in the list of the world's wheat producers, though but thirty-third on a basis of yield per acre. (New Zealand was thirty-sixth in the list of producers, and had ninth-highest yield per acre.)<sup>51</sup> The acreage under wheat was doubled in the 'seventies compared with the 'sixties, and redoubled in the 'eighties compared with the 'seventies, and even in the 'nineties, when the average price realized was only 3s. 8d., compared with 5s. 10d. in the 'seventies, not so much wheatland went out of cultivation as to offset the whole of the belated New South Wales extension; the net increase of acreage, average over the decade, was as great then as in the 'seventies.

'Without the stump-jumping plough,' we are told<sup>52</sup> of the Smiths' invention, 'the mallee lands of Victoria and South Australia might

50 *vide* Victorian Year Books, 1888-9, par 448, and 1895-8, p 825, for the early history of agricultural teaching and research in Victoria

51. *vide* Commonwealth of Australia Year Book No 27 p. 561, for the full lists

52 Article, 'Stump-Jumping Plough,' in *Aust Encyc*, by Reginald T. Foster.

never have been scientifically cultivated for wheat' Those semi-arid lands, covered by a eucalyptus scrub with hard gnarled roots that daunted the clearer for cultivation, had long seemed impracticable for settlement. When under a Victorian act of 1883 (the Mallee Pastoral Leases Act, 47 Vict., No. 766) graziers were offered leases of mallee land on easy terms—they were, in return for leasehold of half the area initially taken up, merely to destroy vermin (rabbits and wild dogs) and, after a term of years, hand back the other half to the Crown—there was little effective response. Little movement of population to those areas of low rainfall and sand storms.<sup>53</sup> But a few years before this act was passed, and ten years after the (also unsuccessful) South Australian Scrub Lands Act of 1866 became law, the brothers Robert Bowyer Smith and Clarence Herbert Smith, of Kankaburg, South Australia, made an invention which, soon to be assisted by complementary local inventions of mallee working machinery, and by the results of the work of McKinn and Fairer in other fields, scored a furrow into the mallee lands where even the poor grazier had not cared to go nor the poor farmer to stay. In 1876 the Smiths invented a plough with shares that worked independently of each other in a frame. A share striking a root, stump, or other obstacles would rise, clear the obstacle, and return to the ground. This was an epoch-making discovery. An invention which a contemporary authority described as 'ranking next to Ridley's reaper'<sup>54</sup> it foreshadowed the agricultural conquest of the mallee country of South Australia and Victoria, and indeed in three and three-quarter years after the Smith invention (which they did not patent, like Ridley before them) half a million acres of South Australian mallee, opened by the Scrub Act of 1877 was taken up. The mallee was practicable for farming now that the Smiths had invented their plough, J. W. Stott his improvement on the model, and now that other farmer-mechanics of South Australia were producing mallee rollers and stump grubbers, and the system of 'mullenizing'<sup>55</sup> was known

<sup>53</sup> *Id.* for the history of the opening of the Victorian mallee country a series of articles by A. S. Kenyon. *The Story of the Mallee* in the *Victorian Historical Magazine* 1. 1. 111-15, 11. 23-26, 27-71, 121-130, 175-200, especially Part III. *The Agricultural Occupation*, pp. 171-170.

<sup>54</sup> R. D. Ross M.P. (South Australia) in an informative article 'Scrub Land Cultivation in South Australia' in the Royal Agricultural and Horticultural Society of South Australia *Proceedings* 1881-2 pp. 29-40 at p. 31. The Smith stump jumper is described on pp. 30-31 and J. W. Stott's on p. 31. Illustrations are given opposite p. 14 of R. B. Smith's first stump jumping plough, Vixen (June 1876) and his first single furrow stump jumper (November 1876). J. W. Stott's plough (1881) an ordinary wooden scrub roller. W. Fowler's scrub roller (1881). Stott's stump-jumping scarifier (1881). John Scobie's stump grubber and Isaac Acklands' and R. B. Smith's *grand flaneur* grubbing machine.

<sup>55</sup> Kenyon (*loc. cit.* p. 178) mentions Mullen's of Waresley, South Australia, as having invented in the early seventies a method of clearing scrub land by cutting the scrub to a uniform level, turning, the fallen stuff and dragging a forked log or spiked triangle over the lund ground by way of preparing for sowing. Ross writes (*loc. cit.* p. 31) 'The system of cutting or rolling down and burning the scrub and then ploughing the stump

Thirty years after Robert Bowyer Smith built his first 'Vixen' stump jumper, a mouldboard machine, the first disc plough of the stump jumping type was turned out from the Victorian works of H. V. McKay.

The origin and early experiences of this man Hugh Victor McKay, are entirely characteristic of the social economic situations from which the rapid advance of Australian farming in the last quarter of the nineteenth century took rise. As in the 'forties a Ridley, as in the seventies a Robert Bowyer Smith, so in the eighties a McKay appeared from the problem country, with a solution of the contemporary farmer's most vexing problem there. Nathaniel McKay, his father, was one of those hundreds of thousands in Victoria who had found themselves at a loose end after the early gold excitements and had been glad to avail themselves of the selection legislation of the sixties. He selected a farming block sixteen miles north of Raywood, Victoria and there his son Hugh was born. The family bought a Ridley stripper, and Hugh, as a boy in his middle teens, would put it through his father's crop. We are told<sup>56</sup> that the boy tried of collecting the emptied out heaps of grain and chaff from the paddocks limits to take them to a winnowing machine; he tricked his brothers to find a way of combining the two operations of stripping and winnowing. In 1884, when he was nineteen years of age, he hit upon the principle of a combine harvester. The story has a romantic atom is told by advertising copy writers of later times, but there is no doubt that in 1894 he started a factory at Ballarat for the manufacture of his harvesters. Soon the McKay stripper harvester became that *marquis*, an exportable nucle of Australian manufacture. Now with the stump jump plough, and the technique of scrub rolling and stump grubbing with the McKay machine the Australian wheat grower had means of clearing, cultivating and harvesting alike, which might make possible the farming of the low rainfall areas, on the comparatively large scale which was necessary if the costs of farming were to be got down low enough to enable the Australian to compete with the American wheats farmer on the world's markets. But there still lacked many things, including wheat varieties which would suit the conditions of the Australian interior, and a reliable water supply (the average rainfall of the Victorian Mallee is not much

land is now (1881) very generally called Mullenizing although it has very little resemblance to the rough method first adopted a few years ago by an Irishman named Mullens who cut down the scrub and dragged a sort of heavy harrow (made of a V shaped log with teeth) across the land in every direction and the season being favourable he obtained a good crop as his neighbour who had grubbed their land at great expense and hardship.

<sup>56</sup> In *A Farm Smith* an advertising publication of H. V. McKay Pty. Ltd. (Melbourne 1938) a copy of which is bound in *Arts and Trades Pamphlets* vol. 29 in the Public Library of Victoria.

more than 13 in.). William Farrer supplied the first-mentioned deficiency, starting in 1885 on his property at Lambrigg, New South Wales, breeding experiments which after the turn of the century issued in the production of a 'Federation' wheat which was adapted to local conditions and could resist disease.<sup>57</sup> (It may be noted that Farrer was in correspondence with M. A. Carleton, who had charge of rust-in-wheat research in the United States Department of Agriculture, and that he had information upon the similar research which was made after 1890 at the experiment station of the Royal Swedish Academy of Agriculture.) But as, aided by improved cultivating and harvesting machinery, the Australian farmer moved inland, and as the railway and Farrer's results followed him, problems of the uncertain incidence and volume of rainfall moved into the foreground. For, of the continental area of three million square miles, more than half (nearly 57 per cent) has an average annual rainfall of less than 15 in. In such conditions, the farmer in the new world has to depart from the traditions of crowded countries of moist climate, like the Scandinavian countries and England, where wheatfarming is intensive, or a preoccupation with getting the largest yield per acre,<sup>58</sup> and concentrate on the problem of how to make *extensive* farming win a surplus for export. Low overhead costs, made possible by machine-farming, and cheap and adequate water supply and transport facilities, are of course all important in this kind of farming.

#### iv. Irrigation

Amongst the wheatgrowing colonies, Victoria struck out an effective irrigation policy, to help overcome one of the disabilities attending the outback farmer. (In the 1881-2 season of drought in Victoria,

<sup>57</sup> *vide*, for an exhaustive discussion of the development of Farrer's ideas and experiments, his articles in the *Agric Gazette of NSW*, Feb and March 1898. He decided that what was required was a breed of wheat that would ripen early, thrive in dry soils be resistant to certain diseases to which wheat in the moist coastal districts and in other districts, had been found liable and stool sparingly (i.e., produce comparatively few stalks per set of roots, a breed giving few stalks and having narrow leaves was desirable Farrer saw, if the ears were to fill out amply in a dry climate). But in the first instance his paramount object was to produce a rust-resistant wheat. In 1882 he had found himself engaged in a controversy in the *Australasian* newspaper, Melbourne 'it was the consideration which I gave to the subject during that controversy,' he said in an address in January 1898 to the Australasian Association for the Advancement of Science 'which convinced me that an opening existed here for useful work, and that work I determined to take in hand if ever an opportunity should be given me.' He merely grew varieties for the purpose of studying them, for the three or four years immediately after he began his enquiries in 1885, his first attempts at cross-breeding were made in 1889. The experiments were carried on at his Lambrigg property, in 2½-3 acres of shallow, sandy soil—of a nature thus, to reproduce some of the principal conditions of wheatgrowing in the interior of low rainfall rather than those of the coastal regions where hitherto much of the wheat of the colonies had been grown.

Deciding early that spring rust was not harmful Farrer concentrated upon an attempt to breed varieties of wheat resistant to summer rust (*Puccinia graminis*). For the wheats which he bred in the 'nineties, *vide* Shann, *op cit*, p. 347.

<sup>58</sup> In 1929-31 the average yield (in bushels per acre) of wheat in Denmark was 41.87 in the U.K. 32.14 in the U.S.A. 14.52 in Australia 11.09 (New Zealand, 27.04).

the railways were used to carry water to country towns; the plight of the farmers outside may be imagined.) The politician, Alfred Deakin, was sent as a Royal Commissioner to the United States to investigate American irrigation schemes, and he has left a succinct account,<sup>59</sup> as well, of the history of water-supply in Victorian areas up to the time of his introduction of an Irrigation Bill into the Legislative Assembly of Victoria on 24 June 1886. His story notices a large movement of population from the goldfields to agricultural areas from 1865 (the year of Grant's relatively successful Selection Act). Much of this flow of people was, from 1870, and especially from 1875, towards the dry northern areas of the colony. It was from 1880 that the question of country water-supply was treated as one of urgency, in that year (of drought) the Service government instituted a system of water-supply for bush towns, and from that year Gordon and Black made reports on irrigation possibilities, in a series of documents presented to the government. In 1881 the O'Loughlen government carried a Water Conservation Act which made provision for setting up district water trusts, a million acres of the Victorian Wimmera, Deakin said, was raised in value £1 per acre by the work of the O'Loughlen trusts. By 1885, when South Australia and New South Wales, too, were preparing irrigation schemes, there were five local water trusts in existence in Victoria and applications were lodged for eight others. The Wimmera (18.19 in. rainfall) and the Mallee (13 in.) were the main theatres of this activity, and it was already seen that 'instead of the pocket handkerchief irrigation which, in 1882, was thought to be feasible, a great scheme of irrigation was possible in the Goulburn Valley', Deakin said in parliament that, in all, more than four and a half million acres of Victorian land was irrigable. His act of 1886 vested all riparian rights in the Crown,<sup>60</sup> and—'decentralization' was a principle of the early irrigation acts—made provision for government loans to approved settlers' trusts, which could levy rates on irrigated land in their districts, to cover interest and sinking charges. Besides such moves to canalize water into dry areas from the rivers, attempts to tap artesian sources were being made at this time; fifty years later more than 3,000 artesian bores, nearly half of which were in Queensland, were

59. His speech in introducing an Irrigation Bill into the Legislative Assembly is in *Victorian Parly Debates* (Assembly), June 1886. The speech was reprinted as a pamphlet by the Vict. Govt. Printer in 1886, a copy is in *Agric. Pamp.*, vol. 32, Public Library of Victoria. *vide* also his *Irrigated India* (London: Thacker, 1893, 322 pp., demy 8vo), written after his tour of the Indian irrigation districts in 1890-91, on a similar quest, he had visited the U.S.A. in 1885, and Egypt and Italy in 1887.

60. There was conflict between the three colonies, Victoria, South Australia and New South Wales, which the Murray River bordered, as to their respective rights in respect of that river, whose waters and the waters of whose tributaries were seen to be the main potential feeders of irrigation channels. In addition in New South Wales the Government found that old proprietary riparian rights were an obstacle to public irrigation schemes.

providing water for stock in Australia, and nearly 700,000 acres of land was irrigated nearly three quarters of the total being in Victoria. It is worthy of note that in the first instance the wheat grower was the producer who it was expected would benefit most from irrigation<sup>61</sup> though in the late 'eighties men were beginning to speak of the possibility of the colonies' growing their own fruit requirements instead of importing. So in 1887, of 20,000 acres of irrigated land in Victoria two thirds was under wheat, but half a century later the irrigated acreage in all cereals was still only 40,000 acres three quarters of the whole being under lucerne, grasses and green forage, and one seventh under orchards and vineyards—and Australia was now an exporter of fresh and dried fruits.

Irrigation projects in South Australia, excepting the Chaffey scheme at Renmark on the River Murray, lagged until a number of years after the turn of the century, and difficulties in New South Wales over the ownership of water rights delayed irrigation there, some local trusts of the Victorian kind were set up in the Darling River area in the nineties. But before the end of the 'eighties, Victoria had not only been the scene of useful small schemes, like those instituted under local trust at Kerang in the Wimmera and Swan Hill in the Mallee—schemes that would be taken over by a State Rivers and Water Supply Commission in 1905—but a large scheme of another kind had been put into operation at Mildura on the Murray River. There, the brothers George and William Chaffey invested hundreds of thousands of pounds in irrigation works<sup>62</sup> and in return received the freehold of the Crown land which they sold to settlers. A measure of the attention which

61 According to the Victorian Blue Book 1890 the average produce of wheat crops in irrigated and unirrigated land in municipalities where irrigation was carried on was in 1883 11.41 and 13.11 bushels to the acre respectively in 1888 9.9.78 and 2.24 (a bad season). The irrigated crop in the new irrigated areas varied enormously. There was growth from about 7,000 acres (all crops) in 1885 to 21,000 acres in 1887, a fall in 1888 to 9,000 acres a rise next year to 25,000 acres then a fall to 2,000 acres in 1890. The decline when it took place was apparently the result of a rule of bad wheat prospects.

62 Government aid had not been stinted at any stage of their history. Shann points out of Australian irrigation projects in general (*op. cit.* p. 111) and it is to be noted that this applies to privately capitalized schemes like that of the Chaffey as well as to local settlers' systems which were promoted with public money.

The Chaffey brothers Canadian irrigation experts in California had been consulted by Deakin in California in 1883 during his tour as Royal Commissioner. Next year George Chaffey made a survey of Victoria's possibilities for irrigation and devised a scheme for Mildura. After an agreement with the Victorian Government the Chaffey's promoted a Mildura Irrigation Company and began construction (*vide* article 'Irrigation in Aust. Ence' Victorian Blue Book 1890 and Vict. Y.B. 1889-90 pp. 506 *et seq.* for the Chaffey agreement and early work at Mildura).

The Mildura agreement provided that the company should acquire 50,000 acres in fee simple by spending £5 per acre on improvements (by which was meant irrigation works) and a further 200,000 acres in return for £1 purchase price and £1 improvements per acre. By the end of 1890 the company had laid out £200,000 and had received in return 13,000 acres about Mildura of which they had sold to settlers 60 per cent. There were then 3,000 persons at Mildura, 10 per cent of them in the Chaffey's employ and they had 6,500 acres in cultivation nearly the whole in vines.

Government *cum*-local trust irrigation works received is the fact that of £37m Victorian loan expenditure to 1889, nearly £6m. had been spent on water supply, of which £2m was spent in the five years, mid 1884 to mid 1889, largely on irrigation works. But in Victoria, as in the other colonies, the great bulk of money borrowed by government at home and (as it was, for the most part) abroad had been sunk in railways—in the case of Victoria, nearly £29m out of the total loan expenditure of £37m, expenditure on railway construction in the five years from 1884 was at the rate of £2m per annum. This was appropriate, for though the great wheat areas were opened to the farmer by a variety of ingenuity—irrigation, mallee rolling or 'Mullering,' the stump jump plough, the stripper harvester, the breeding of suitable wheats for the climate and conditions—the effective establishment of a great agricultural industry was altogether impracticable without railway services to carry the farmers' produce over the hundreds of miles between the outback settlements and the mills and seaports. And in each of the Australasian colonies this task devolved upon the state. The opening up of unsettled or sparsely settled experimental areas by railway construction was scarcely an undertaking to attract direct investors, especially at a time when British European and American railway enterprises, many of which were likely to yield large dividends quickly, were laying rails at the rate of eight or nine thousand miles a year.<sup>63</sup> The assurance of dividends by way of interest payments on colonial government bonds, without assuming any of the risk attending 'developmental works, was what appealed to the British investor. The rich middle west of the United States, where private companies built railways with the aid of such imported capital, was a prospect very different from the Australian inland not yet cultivated and the balance of evidence goes to show that the thrusting on the state in Australia of the responsibility for means of transport redounded to the advantage of the Australian farmer.<sup>64</sup>

#### v. *Railway Construction and Capital Import*

There was no more than a thousand miles of railway track in all Australasia in 1870—not a mile in New Zealand, Western Australia or Tasmania—and the public debts of six colonies aggregated £39m, Western Australia having no debt. Victoria and

63 The length of railway line which was laid in the eighties in the seven colonies of Australasia was something more than 5 000 miles (Vict. Y.B. 1889-9) as compared with 2 000 miles in the United Kingdom, 16 000 in Europe and 62 000 in the United States (*England's Foreign Trade in the Nineteenth Century* by A. I. Bowley, p. 87, 1922 ed. London: George Allen & Unwin, 1993).

64 *ie* as compared with the American farmer's experience of the private railway systems. *vide* Hackett and Kendrick *op cit* Chapter XIV.

New South Wales between them were responsible for two-thirds of the total length of track—and for 56 per cent of the aggregate of debt. But by 1890 the colonies had between them 12,800 miles of railways open to traffic, including 2,000 miles in New Zealand, and the aggregate of their public debts was more than £190m., of which New Zealand had contracted £30m. since 1870. Most of the loan money, both before and (especially) after 1870, had been spent on railway construction. The government had contracted more than £150m. of public debt in twenty years during which they laid 11,000 miles of railways. Private enterprise had started some Australian lines (*vide* Chapter IV, iii), but most were government lines from the beginning, and, of those that were constructed by private enterprise, most were brought into operation by the state. The Victorian government, for instance, had spent 78 per cent of its total borrowings of £44m. (to 30 June 1891) on railways.

In accounting the cost of the general task of railway construction in the colonies it is to be borne in mind that in spite of the high costs during the 'fifties, the capital cost per mile of the government railways of Australia and New Zealand was small in comparison with that of the private railways of the United Kingdom or even of Canada.<sup>65</sup> Further in comparison, it should be noted at this point that at the end of the 'eighties, when Australia had 10,000 miles of railways and New Zealand 2,000, the British Dominion of Canada had 13,000, the United Kingdom 20,000 (including England and Wales, 14,000), European countries 110,000 in all, and India 16,000, railway mileage in the United States, 156,000 miles, amounted to almost as much as that of all Europe and the British Empire together. England had been first in the field of railway construction, and in the twenty years before 1890 United Kingdom total lines had been extended by only a quarter, com-

<sup>65</sup> Capital costs are compared in Victorian Y.B., 1889-90, p. 215. To 31 December 1888, the United Kingdom had built 20,000 miles of track, or twice the Australasian aggregate, but the capital cost was more than nine times as great in the United Kingdom, £865m. *cf.* £93.5m. Contemporary Canada's 13,000 miles of track carried a capital cost of £151.5m. However, half the Australasian track was narrow gauge. W. M. Acworth, in 1892, considered the Australian railways 'not exceptionally cheap' at £10,500 per mile, *cf.* £11,600 in the U.S.A. and £8,100 in the Argentine (*Economic Journal*, ii, 1892, pp. 629 *et seq.*). The cost of working U.K. railways (total cost) was more than seven times as great in 1888 as the Australasian cost (U.K. £38m., Australasia £5.1m., Canada £6.1m.) but U.K. traffic receipts were nine times as great. The aggregate of net earnings on all Australasian government lines that year was £3,049m., or 3.26 per cent. Edwin A. Pratt gives, on pp. 255, *etc.*, of his *A History of Inland Transport and Communication in England*, London, Kegan Paul, 1912, an explanation of the huge capital cost of U.K. railways, which was quite largely made up of the cost of buying land and taking parliamentary proceedings (neither of which was a factor in Australia). Other factors which Pratt enumerates are indecision as to the optimum gauge (an indecision from which Australia was not exempt, *cf.* article, 'Railway Gauges,' in *Aust. Encycl.*), and the early idea that the locomotive would only be able to haul trains on the level way, a delusion which led to huge expenditure on cuttings, tunnels and bridges in the early days when so large a proportion of U.K. track was laid down. Most Australasian railways were undertaken late enough to avoid this unnecessary expenditure on construction works, yet early enough to avoid the necessity of resuming much land in private freehold.

pared with a European extension of one and a quarter times the 1870 figure, and a United States extension of twice, and an Indian extension of two and a third times the 1870 mileage. But the lines of Australasia in 1890 represented an extension of eleven times the 1870 total. Forty-four per cent of a world railway aggregate of more than 350,000 miles was in the United States (*cf.* 3 per cent in Australasia). So that when we deal with the Australasian advance of the period we are dealing with a uniquely fast advance of a system which was dwarfed, like that of every other country in the world, by the gigantic American system. The United States railways, like those of most other countries, were built with capital much of which was subscribed in Britain, and it is a fact that 'the importance of (British) foreign investment became generally greater in the 'sixties and early 'seventies,'<sup>66</sup> that is, in the period in which began an enormous railway construction abroad. It had been reckoned in 1845 that of £113.5m. of British investors' money in British, German, French and American railways, £64m., or considerably more than half, had been invested in railways in Britain itself in the previous dozen years. And in the next thirty years, when British investment in foreign railways was a large factor in bringing the total of British foreign investment to perhaps £1,200m.,<sup>67</sup> 'imperialism' was still 'not a prominent factor in the movement of British capital.' Already perhaps £50m. had been lent to Australasian governments to finance railways and other public works,<sup>68</sup> but it was in the decade of the 'eighties, when £600m. of British capital was exported, that the colonies took for the first time a high proportion of British investment overseas. Then, when 7,000 miles of railway was laid in the seven colonies, and borrowing for irrigation began, more than twenty-five per cent of British capital exported was exported to Australasia.<sup>69</sup>

It is to be kept in mind that public works other than works of railway and irrigation construction were financed by portion of this borrowed capital, secondly that the borrowings of the various colonies were made on various scales, and thirdly that a substantial proportion of the capital imported, especially into Victoria, represented British investment in banking, land, loan and other companies. Again, even several years before the grand borrowing decade of the

66. *The Export of Capital*, by C. K. Hobson, p. 137; London, Constable, 1914.

67. Hobson gives (*op cit.*, pp. 116-17) the 1845 estimate. The estimate of British investment abroad at 1875 as £1,200m. is by L. H. Jenks (*The Migration of British Capital to 1875*, p. 335, New York, Knopf, 1927).

68. Jenks, *op cit.*, pp. 231-2, his estimate is for the period 1860-76. *cf.* Coghlan's figure, £26.52m. (to 1871), which, he writes, is the amount of capital which had been imported by the 'State, etc.'

69. Wilson gives, *op cit.*, pp. 7, 31, tables of the amount of British capital imported into Australia each year from 1871 to 1930. His entries for capital imports, 1881-90, make a total of £153.842m. The £600m figure is Bowley's, *cit.* Hobson, *op. cit.*, p. 205.

'eighties, the Australasian communities carried an exceptionally large public debt charge per head. In 1869-70, when Great Britain, with a national debt of more than £800m had to meet a charge of £24.27m for the year, or 15s 9d per head, Australia with a population equivalent to only one thirtieth of the British and an aggregate public debt only one twenty-eighth of the British, bore a debt charge of £1.6m, or 20s per head. (New Zealand's seven millions of public debt carried charges working out at 29s per head.) But, in gross public debt as well as annual charge, Australasia had already much exceeded the modest burdens which the British colonies in North America bore. Canada had considerably more than twice the population of the seven colonies of Australasia and not much more than half the debt while the Canadian annual charge for interest, etc., was only 4s 8d per head as compared with an Australasian average of £1 1s 9d.<sup>70</sup>

Taking first the distribution of capital from loans among various public enterprises in Victoria the most populous colony and one of the largest borrowers, we find, as already pointed out, that railway construction was the principal undertaking financed from loan capital, which was mostly imported capital. Expenditure by the colonial government from loan funds, on roads and bridges was slight except in the period 1853-62, when the government had to undertake the expensive task of building arterial roads to the goldfields. Other public works absorbed about £25m a year in the sixties, a little more in the seventies, and again a little more in the 'eighties. The whole expenditure of government in the period 1853-72 was usually about £3m a year, in 1873-80 about £3.5m from 1881 more than £5m a year, to a peak of £7.9m in 1889.<sup>1</sup> The population of Victoria was then a little over a million. Forty-three per cent of the total public expenditure of 1889 was for railways. To meet the overseas interest bill—the public debt 'nearly all representing English capital'<sup>2</sup> bore charges averaging more than 4 per cent—the colonies needed in 1888 an exports over imports surplus of nearly £7m a year, but since 1878 they had accumulated an excess of imports amounting to nearly £82m. Victoria being responsible for £37m, New South Wales for £25m. In Victoria alone, more than £60m had been laid out on public works since the gold discoveries, of which sum 60 per cent was made up of loan money. The table below shows the borrowings

<sup>70</sup> *vide* for a table of comparative statistics *National Debts* by R. Dudley Baxter p. 25 London Bush 1871. On p. 131 Baxter gives a table showing the population public debt interest charge and charge per head of each of the Australasian colonies in 1868-9 with the picturesque detail that two million Australasians out of more than 600 millions of people in the civilized world had incurred a 110th part of the debt aggregate.

<sup>71</sup> Vict. Y.B. 1889-90 (Stat. Summary).

<sup>72</sup> *ibid.* pp. 150 *et seq.* for details of colonial borrowing and this statement.

and rates of borrowing of the various colonies on a decennial review from 1861.<sup>73</sup>

## PUBLIC DEBTS OF THE SEVEN AUSTRALASIAN COLONIES

1861, 1871, 1881, 1891

(100 equals £4m., the amount of the New South Wales public debt in 1861)

Colony	1861		1871		1881		1891	
	Public Debt	Index No	Public Debt	Index No	Public Debt	Index No	Public Debt	Index No
	£m		£m		£m		£m	
N S W	4	100	10 6	265	16 9	425	52 95	1,324
Victoria	6 3	158	11 99	300	22 4	560	43 63	1,091
Queensland	07	—	4	100	13 2	330	29 46	737
Sth Australia	87	22	2 2	55	11 2	280	20 35	509
W Australia	02	—	—	—	51	13	1 61	40
Tasmania	—	—	1 32	33	2	50	7 11	178
New Zealand	6	15	8 9	223	29 7	743	38 8	970
Australasia	11 9	—	39	—	96	—	194	—
Australasia per head	£9/8/-	—	£19/16/4	—	£34	—	£49/18/4	—

It will be seen that during this period over which the colonial populations were multiplied by more than three and their debt per head of population more than five, outstanding events in the loan field were the addition of nearly £21m. to the New Zealand debt in the ten years up to 1881, of £36m. to the New South Wales debt and £21m. to the Victorian debt in the ten years to 1891, and the slowing down of New Zealand borrowing in that decade to £9 1m., about the South Australian total for those years. The significance of such variations in the tempo and quantity of borrowing, as between the several colonies, lies of course in their relation to the progress of developmental construction, and then the stimulus to production which followed as a consequence. In the case of New Zealand, the peak period of borrowing, the 'seventies, was the period during which railway construction was commenced and pushed so far that by 1880 the colony had 1,258 miles of line open, compared with 1,199 miles in Victoria and only 850 in New South Wales. In the next decade, what would be the great export industries of twentieth century New Zealand were developed, dairy produce and meat, as these were developed by the application of private capital, largely British, through companies, the amount of government borrowing for capital works fell off, as did public expenditure

<sup>73</sup> The figures on which the index numbers are based are in Anderson's *Australasian Statistics*

on railway construction. Between 1881 and 1888 the annual average of new track laid was only 76 miles, compared with 126 miles per annum in the 'seventies. Using the railway construction measure for New South Wales economic advance likewise, we find that when in the 'eighties the colony was borrowing £3m.-£4m. a year, it was adding 170 miles of new track each year to its railway system, compared with 51½ miles annual average in the 'seventies, when the rate of borrowing was only £600,000 a year. Victoria, borrowing in the 'eighties at the rate of £2m. a year, was building 102 miles of track each year, compared with a borrowing rate of about £1m. and a building rate of 92½ miles of track in the 'seventies. (Victorian loan expenditure in the 'eighties was directed in part to water supply and irrigation; £6·75m. had been spent in this way up to 30 June 1891.) It was only after this extension of the New South Wales railway system that large areas were settled by wheatgrowers. It should be added that in the 'eighties all colonies abandoned as inefficient and costly the system of administering the public railways directly by a minister. Victoria (1884) was the first colony to appoint Railways Commissioners.

While at these varying rates and in these different proportions the colonies were injecting imported capital into the body economic by means of public loans, private investors, especially British private investors, were participating in other ways in Australasian economic and business development. For instance, though New South Wales in the 'seventies and 'eighties raised by means of subscriptions to government loans more public capital than did Victoria—the figures are £42m. and £32m. respectively—a rough computation of total capital import, taking the excess of imports over exports during the period, shows that Victoria's importation of capital in all forms was considerably greater than that of New South Wales. In fact, Victoria attracted a disproportionate share of private capital investment in the form of shareholdings and bank deposits. The reasons for this are various. Among them is the fact that Victoria was already an investing community as well as a centre for investment. Victorians had large investments in pastoral properties in the Riverina (New South Wales) and in Queensland, and in the base metal enterprises lately started about Broken Hill, in New South Wales.<sup>74</sup> This tended to increase the outside speculator's interest in Victoria itself. Again, the conditions for the re-employment of the Victorian surplus of ex-miners after the 'fifties required,

<sup>74</sup> cf. e.g. *The Present Depression*, by James Mirams (Melbourne, 1892, copy in *Political Economy Pamphlets*, Public Library of Victoria, vol 97) His figures should not be accepted, but he conveys some idea of Victorian external investment of the time. For the Broken Hill mining development *vide* the latter part of this chapter.

as we saw, the development there of a more heterogeneous and better articulated economy than existed in the pastoral colony of New South Wales. Victoria had, for instance, a more extensive agriculture and a more extensive railway system to serve it—though the Victorian government had to provide means of transport for an area which was less than a third the size of New South Wales. It was therefore to Victoria that investors looked who desired to take part in land or loan speculation, it might be that the great pastoral properties of New South Wales would be the premier attraction for large investment capital through banks and pastoral companies, but Victoria on the other hand would offer a field more appropriate to the speculator or to the investor who was content to take advantage of the comparatively high rates offered for money to be left with the colonial banks on fixed deposit. In 1888, 224 land, investment, agency and similar companies and 'banks' were registered in Victoria, and in that and the previous year 578 companies in all were registered in Victoria, having an aggregate paid up capital of almost £20m.<sup>75</sup> Much of this capital was supplied by shareholders living overseas. Similarly, when five years after the peak year, 1888, twelve banks of issue in Australia<sup>76</sup> suspended payment, with liabilities of £72m. to depositors, their liability to British owners of fixed deposits was no less than £21.5m. of that total.

Boom conditions were of course an accompaniment of the influx of capital. While the Victorian government was meeting old public loan liabilities by floating new loans in London,<sup>77</sup> and while on the share market stocks trebled, quadrupled and quintupled,<sup>78</sup> bank advances passed the £100m. mark (*i.e.*, nearly £100 per head of the Victorian population, *cf.* £42. 10s. in 1929), and though in 1888 the Associated Banks refused further advances against land, the main effect was to clear that field for mushroom loan companies, of which hundreds were floated. A Melbourne and suburban building and building-sites boom was one form which the excitement took. It was the collapse of such artificial enterprises which in the early 'nineties brought a particularly severe crisis and depression to Victoria (*vide* Chapter VII, 1). However, the overseas

<sup>75</sup> *Vict. Y.B.*, 1893, p. 454, for details of company registrations, etc., 1887-93.

<sup>76</sup> From the 1830's, the banking system of Australia was, above all, a system of a few large banks having many branches in several colonies. They have been Australian or Australasian enterprise rather than New South Wales, or Victorian.

<sup>77</sup> *cf.*, *e.g.*, *Vict. Y.B.*, 1869-90, p. 150, for an account of Government finance at this period when old loans were maturing, but boom continued and increased. Thus in 1884 the Victorian Government floated a new loan of £1.4m. in London—and a redemption loan of £2.6m., in 1885 a new loan of £819m. and a redemption loan of £3.2m., and so on.

<sup>78</sup> *vide* the *Australasian Insurance and Banking Record* (monthly) files of the period for details.

private investor who subscribed to *public* loans escaped the experience of losing his money in airy enterprises. Victoria's public debt at 30 June 1892, was £46·711m., of which sum all but £1 949m. had been borrowed in England. The year's due interest was £1 77m., and reproductive works, largely railways, were able to contribute 63 per cent towards the amount required. It appears that the capacity of the colonies to pay interest out of the receipts from works in which loan capital had been sunk, varied approximately as the period over which their 'developmental' borrowings had been spread, in 1890, thus, Victorian interest payments on public loans included 75 per cent from the receipts of works financed originally from loan funds, New South Wales 67 per cent, South Australia 60 per cent, and Queensland 27 per cent.<sup>79</sup> But much of the overseas capital which had been brought into Australia for private investment or speculation was liquidated or recalled when the speculative market fell in, early in the 'nineties. 'We have now to ship absolutely sovereigns—all the other banks are doing it,' a bank manager would record.<sup>80</sup> 'We cannot get sufficient products of the country to send, and therefore we have to ship sovereigns.' Many farmers deserted their holdings, for those who had mortgaged their properties to obtain capital for extension, during the boom, might now have 'scant encouragement to remain on their lands, for after discharging their heavy monetary obligations . . . there would be little left to give anything like an adequate return for their labour' This movement away from obligations, away from the land, had of course a number of serious consequences, one of them was a lessening of the dividend which bankrupt land companies, with English capital, were able to pay after their liquidation. However, wasted as so much imported capital was, it remains an important fact that the wheat, meat and dairy produce industries for export were built up by the private investment of capital, as well as by the public investment of private capital in railways and similar facilities.

Passing on now to brief notice of other spheres to which government loan funds were applied, we shall find that a great improvement of communications, internal and external, was made in the second half of the century when Australian commerce grew rapidly.

79. Vict Y.B., 1893, p. 195. The facility with which Colonial Governments floated loans which would be fully subscribed, in the boom year 1888, is largely attributable to the Goschen conversion of the British national debt early that year. British 3 per cent securities were compulsorily converted, first to 2¾ per cent, then to 2½ per cent consols. Australian securities offered an attractively high rate of interest in comparison *vide*, for an account of the Goschen reform, and the state of the English money market at the time, H. C. Burnett's *Official Intelligence* (1889), p. 8.

80. Report of the State Banking Commission, *Vict Parity Pprs.*, 1895-6, vol. iv, minutes of evidence, p. 385.

vi. *Communications*

The annihilation of space and time might have been felt to be imminent when, in the last days of 1884, telephonic communication was attained between Sydney and Melbourne, 'singing being distinctly heard and voices recognized over 1,200 miles of wire—the longest distance ever reached on an ordinary single wire.'<sup>81</sup> This event was a climax of forty years' steady improvement of means of communication in Australia, a process which began with the first development of the greater society 'after the gold.' The first telegraph line in Australasia was laid, between Melbourne and its port of Williamstown, on 3 March 1854. In mid-1856 the New South Wales government laid its first telegraph line, from Sydney to the heads of Port Jackson, and in the same year Adelaide and Port Adelaide were telegraphically connected (Melbourne streets were being equipped with gaslights, about this time, and the then Governor, Sir Charles Hotham, died of a cold contracted when opening the Melbourne Metropolitan Gasworks—in the summer). By 1889 there was nearly 40,000 miles of telegraph line open for use in Australasia (compared with 30,000 miles in Canada, 30,000 in the United Kingdom, and 250,000 in the United States). An average of three telegram despatches per head of population in Australasia per annum compared with four messages per three persons per annum in the United Kingdom and two messages per three persons in the United States.<sup>82</sup> In the meantime the invention of the telephone had been made by Alexander Graham Bell at Boston (1876)—George Forrest, who made Bell's first transmitter and receiver, died in 1938, at the age of 92 years—and private companies were established to operate the first systems in Australasia. In Victoria, the government took over the private system, at a cost of £40,000, in September 1887, there were then about two thousand subscribers connected, through seven exchanges, and the idea of the public telephone call box was being toyed with. But the number of telephonic subscribers in all Australasia was still only 50,000 in 1903, an average of about 400 per telephone exchange. New South Wales had most subscribers, 16,155, New Zealand 12,105, and Victoria 7,610. Long distance telephony had not been extended much; in 1897 Geelong and Melbourne were telephonically connected 'by a regular line,' but Ballarat and Sandhurst (Bendigo) had merely been 'spoken to by

81. *Silver Age* newspaper, Broken Hill, NSW, 13 December 1884. '1,200 miles' is about double the distance between Melbourne and Sydney, so that the reference appears to be a sort of total span of conversation—there and back.

82. Coghlan's *Seven Colonies of Australasia* (1890), pp 163-4

the ordinary wires' (i.e., the telegraph wires).<sup>83</sup> A progressive delegate to a conference of colonial Chambers of Commerce had to ask, 'Why should not the Federated Colonies'—which were not yet federated—'Why should not the Federated Colonies be connected by Telephone? Say, Adelaide to Melbourne, Sydney, Newcastle and Brisbane, thus permitting merchants and financiers who have business in all those places to communicate with their agents or branches.'<sup>84</sup>

Telegraphic connection with the outside world by submarine cable was established before the telephone was heard of. A Sydney-Java cable was laid in 1871, Australia and England were connected by cable in July 1872, and a Sydney-New Zealand cable was laid in 1876. Even earlier, in 1867, it could be recorded<sup>85</sup> that 'telegraphic communications have been had from London in twenty-five days,' but thirty years after this achievement of cable-*cum*-shipmail, an 'all-red' cable, to be a means of almost instant communication between the colonies and London, was about to be realized. The idea of such a line of communication, by which a cable would connect Australia, Canada and England, appears to have been originated in 1877 by Sandford Fleming, engineer-in-chief of the Canadian Pacific Railway then in course of construction. A Colonial Conference was convened in London in 1887 to discuss telegraphic communications within the British Empire, and six years later the Intercolonial Posts and Telegraphs Conference at Wellington advocated the laying of an 'all-red' cable. Next year, 1894, an Imperial Conference at Ottawa was attended by delegates from the imperial, Canadian and the colonial governments in South Africa and Australasia; it arranged for a survey of the proposed route to be undertaken by the imperial government at the joint expense of all the interested countries. The laying of the cable was again strongly advocated at the 1895 Posts and Telegraphs Conference at Hobart and the 1896 conference at Sydney. In 1895 the governments in Australasia had sent Duncan Gillies and Sir Saul Samuel to represent them at a Pacific Cable Conference in London; the conference favoured a Vancouver-Fanning Island-Fiji-Norfolk Island route, with a branch to New Zealand and

83. For the 1903 figures, *vide* Coghlan's *A Statistical Account of Australia and New Zealand, 1903-4*, p. 754, Sydney, Government Printer, 1904. The quotation is from *Report of Proceedings, Conference of Australasian Chambers of Commerce*, Sydney, May 1897, p. 151 (Jules Renard, of Sydney—address on Long Distance Telephony, pp. 150 *et seq.*), Sydney, W. E. Smith, 1897.

84. *Report cit.*, p. 152. W. F. Appleton, a Geelong delegate, reported that a firm in the town, Dennys, Lascelles & Company, had had to guarantee the cost of the Melbourne-Geelong telephone line before the Government undertook its installation.

85. N.S.W. *Catalogue* for the 1867 Paris Exhibition, Introduction, p. 9.

another to Australia. This was the route ultimately adopted (1903).<sup>86</sup>

Shipping facilities for moving intercolonial and overseas goods and passengers were enormously increased and improved after the early days of steam, days when Australian economic development was but beginning. In 1851 fewer than 5,000 vessels, aggregating under a million tons, sufficed for Australian needs, and a few more than 500 vessels, aggregating somewhat more than a hundred thousand tons, served New Zealand. Ships entered and cleared in 1861 were twice the 1851 number and three or four times the tonnage, and by 1891 the total of entrances and clearances through Australian ports had reached 16,987, through New Zealand ports 1,481, and their aggregate tonnage was 16,235,213 and 1,244,322 tons. And after the progress in the 'nineties of the wheat, meat and dairy produce export trades, the totals for 1901 were (Australia) 18,638, 26,197,436 tons, and (New Zealand) 1,379 ships aggregating 2,139,180 tons.<sup>87</sup> Throughout the century, at least three-quarters of Australasian total overseas trade was carried on with the United Kingdom (*vide xiii*), but with the 'eighties, and after the International Exhibitions held at Sydney in 1879 and Melbourne in 1880, foreign buyers became more numerous, and bought on a larger scale, at the Australian wool auctions. Correspondingly, more bottoms were required to carry Australasian produce to Europe. A direct commerce with Europe began in 1883, when the French *Messageries Maritimes* line inaugurated a subsidized steam service between French and Australian ports, and in 1887-8 the *Norddeutscher Lloyd* and another German line began shipping Australian wool to German, Dutch and Belgian ports. In the meantime the England-Australia shipmail service had been improved, a monthly service having been arranged in 1879; and early in 1888 the governments of Victoria, New South Wales and South Australia contracted with the P. & O. and Orient companies for a weekly service.<sup>88</sup>

Finally, the development of two internal transport services, tramways and coach services, should be noted. Metropolitan tramways were laid down in the 'eighties, in New South Wales by the government, which administered (as it still does) both railways and tramways, and in Victoria by private companies in association with municipal authorities. The Victorian acts of 1883 and 1887,

86. A good historical summary of events before the laying of the Pacific cable is in the Chambers of Commerce Conference Report *cit.*, pp 120 *et seq*

87. Coghlan (*Statistical Account, 1903-4*), p 210.

88. *vide* Victorian Y.B., 1889-90, pp 178 *et seq.* and Coghlan's *Seven Colonies* (1890), p 1,060.

47 Vict., No. 765, and 51 Vict., No. 951, established a Tramways Trust of eleven Melbourne municipalities and authorized the Trust to lease its lines to a private company until 1916. A cable tramway to the near suburb of Richmond was opened on 11 November 1885—the Trust borrowed £15m. in London at 4½ per cent interest—and horse and cable tramways to other suburbs were constructed soon afterwards. Earlier, in 1879, the first New South Wales government tramway had been opened.<sup>89</sup> But outside the cities, there were great areas of sparse population which, without railways, would have had small means of communication with the cities and the ports, had it not been for a private enterprise which became famous in Australian song and story. This was the coaching firm of Cobb & Co.<sup>90</sup> The company was founded in Melbourne in December 1853, by four Americans who had been attracted to the country by the gold discoveries. They were Freeman Cobb, J. M. Peck, J. B. Lamber and James Swanton. Their first coach ran between Melbourne and Sandridge (Port Melbourne), a route which next year was served by the first Victorian railway, but within a few weeks of its beginning, 'The American Telegraph Line of Coaches,' as Cobb & Co. was then called, was providing a daily service (except Sundays) between Melbourne and the Bendigo goldfield, a hundred miles away. When in the early 'sixties Victorian miners flocked to New Zealand after Gabriel Read's Otago strike, Cobb & Co. sent representatives with them, and from the early 'sixties the company conducted a coach service between Dunedin and Gabriel's Gully, where the miners congregated. Rapid railway development in New Zealand in the 'seventies cut the ground from beneath the horses' feet, and the last Cobb & Co. coach to run in New Zealand was taken off the road in 1880. But it was the decade of the 'eighties which saw the greatest expansion of the company on the Australian mainland, where Cobb & Co. coaches survived until well into the twentieth century. James Rutherford,<sup>91</sup> who had acquired an interest in the enterprise of his American compatriots in the 'fifties, extended Cobb & Co.'s operations to New South Wales and Queensland—again on the heels of itinerant Victorian capital and labour—and by 1870 Cobb & Co. were harnessing 6,000 horses a day, covering 28,000 miles of routes

89. *vide* Report of the NSW Royal Commission on Strikes, 1891, *Appendices*, p. 102, Melbourne Tramways Trust (Borrowing Powers) Act, 1890, 54 Vict., No. 1173, and the Acts 55 Vict., Nos. 1195 and 1221, authorizing private companies to construct tramways. Earlier legislation is in the statutes of 1883-4-5-7-9.

90. *vide* *Old Coaching Days*, by F. M. Lovell-Smith, Christchurch, Lovell-Smith & Venner, 1931. The Public Library of Victoria has (incomplete) files of the company's *Travellers' Guide* (1880-7), from which may be seen the company's function as a feeder and auxiliary of the Government railways. *vide* also article, 'Early Coaching Days of Victoria,' 'by an old stage driver,' in the *Dennys, Lascelles Annual*, 1929, pp. 62-5.

91. *vide*, for an account of Rutherford, and his activities in the transport and other industries and services, *Aust. Encyc.* article by H. S. Gullett, 'James Rutherford.'

each week, and paying £100,000 a year in wages, colonial governments paid the company £95,000 a year in mail subsidies. The railway extension of course affected Cobb & Co adversely but in the huge areas of Queensland which the railways did not articulate, then coach routes aggregated 4,000 miles. This was in the late 'eighties.

## vii *The Meat Export Industry*

What with the encouragement of primary production by the selection acts (insofar as they were effective), by state construction of railways, roads, irrigation systems and telegraphs, by the invention of labour-saving devices and seed and implements adapted to Australian conditions, and by land companies' loans to farmers agriculture made, as we saw, great progress in the 'eighties, especially in Victoria and South Australia. By the end of the decade the area under wheat in Australasia was four million acres and production totalled (1889) forty-two million bushels, compared with an average of much less than a million acres under wheat in the 'forties, and a ten million bushel crop. Victorian farmers now produced twice as much wheat as Victorians ate. The 1889 Australasian acreage under wheat was more than twice as great as that of Canada and production nearly twice as much. And now in the eighties another branch of primary production grew rapidly in the colonies, the breeding of sheep and cattle for slaughter and export to an England which needed meat as well as wheat.

Cutcheon and Raymond write<sup>92</sup> that the decade of the 'fifties was the first in which the United Kingdom imported meat, and even earlier than that, the brothers Henry and William Dangar, 'the first men to preserve meat by practical tinning methods in Australia,' had started (1847) an Australian meat export industry. Their industry catered, however, for a small special market—much of the beef, mutton, tongues and bouillon tinned at their works at Honeysuckle Point, Newcastle, N.S.W., was sold to the Admiralty. Their products were shown at the Great Exhibition of 1851 in London.<sup>93</sup> But the trade had no continuity after the Dangars' failure in the early 'fifties, it was 1865 before a second work of the kind was opened. English interest in the revival was keen, now that Justus von Liebig, the great German chemist, had invented a meat extract, and a committee of the Society of Arts deliberated

92 *A History of the Frozen Meat Trade* by J. T. Cutcheon and Joseph Raymond p. 2 London: Constable 1912.

93 For the Dangar brothers and later preserved meat enterprises in N.S.W. vide Cutcheon and Raymond *op cit.* pp. 8-9 and *The Frozen and Chilled Meat Trade* by various authors vol. 1 *The Australian Meat Industry* by Ross Grant p. 44 London: Gresham 1929.

from 1866 until 1881 on how a British meat supply might be assured from the colonies. Their deliberations did not come to anything. It was the arrival at London River of the steamer *Strathleven*, early in 1880, that answered the question. She carried a cargo of frozen meat from Australia.

Before the successful institution of this trade, however, attention was concentrated on the possibilities of the trade in tinned meats and meat extracts. Critchell and Raymond say,<sup>94</sup>

Australian canned meat began to be known to the British public by the year 1867. Before that time preserved meat had only been used by the services, by explorers, and on sailing ships, but it appealed to the public very soon after the first imports came along. No American meat of any kind was imported during the 'sixties, and Australia was the pioneer of the tinned as she was of the frozen meat trade.

Ross Grant says,<sup>95</sup>

Australia did much of the pioneer work in the science of refrigeration. As early as the period 1850 to 1860, James Harrison, of Geelong, Victoria, was carrying out experiments in the production of cold by mechanical means, and about the year 1855 he succeeded in devising a machine for the manufacture of ice on a commercial scale, and also devoted his attention to the freezing of meat, poultry, etc. He was successful in these early experiments, and produced for the first time fish frozen in the centre of a clear block of ice.

Harrison, pioneer of a great new constituent of world trade, exhibited a cold producing machine in Melbourne during 1873, with it he froze some meat and fish which, to the world's wonderment, was fit to eat six months later at a public banquet. In July of that year Harrison consigned twenty tons of mutton and beef to England by the *Norfolk*, in which one of his machines was installed. But the meat deteriorated. Four more years passed before 'the first entirely successful frozen meat shipment in the world's history' was made—a cargo which was carried from Buenos Aires to Marseilles.

<sup>94</sup> *op cit* p. 11.

<sup>95</sup> *loc cit* p. 46. On the question of priority *vide* Critchell and Raymond *op cit* p. 24 and *The Frozen and Chilled Meat Trade in Refrigeration*, by Joseph Raymond p. 28. *et vide* the articles Refrigeration and Meat Production and Slaughtering in the *Encyclopaedia of Social Sciences*. James Harrison in the *Australian Encyclopaedia* T. S. Mort in the *Dictionary of National Biography*.

The palm seems to go to Harrison to whom a monument was erected in Geelong cemetery in the nineties. His epitaph reads: IN MEMORY OF JAMES HARRISON WHO DIED SUDDENLY IN 1893 IN HIS COTTAGE AT POINT HENRY AT CORIO BAY. HE WAS THE FIRST MAN IN THE WORLD TO PRODUCE ICE IN COMMERCIAL QUANTITIES FOR COMMERCIAL PURPOSES BY MECHANICAL MEANS. HIS DISCOVERY PAVED THE WAY FOR THE ENTIRE TRANS OCEANIC TRAFFIC IN PERISHABLE ARTICLES. THE REWARD OF HIS DISCOVERY WAS FINANCIAL RUIN. THE WORLD HARVESTED THE RESULTS. THE MAN HIMSELF IS FORGOTTEN. HE SLEEPS IN THE CHURCHYARD AT GEELONG. NOT A STONE TO MARK HIS RESTING PLACE. J. H. Geddes repeated this epitaph at the 1897 Australasian Conference of Chambers of Commerce (Report p. 157) without giving a source. At the conference G. M. Hitchcock of Geelong said there was a monument to Harrison in Geelong cemetery.

in the *Paraguay*, at the instance of a French company which had installed in the ship an *engine Carré*. The French company did not pursue its experiments, but a group of Queensland pastoralists saw in this early success a prospect of a market for their cattle. Their representatives in Europe inspected the *Paraguay's* refrigerating plant, but, not liking it, they arranged to buy and instal a plant after the designs of Thomas Sutcliffe Mort. This man, whose business history<sup>96</sup> reflects in a remarkable way the essential economic history of Australia, was a pioneer in many fields of the organization of production, but above all his concern was to solve the problem that Harrison, Carré and others were busy with—how to ensure the carriage of fresh (i.e., refrigerated) meat across the earth. It is said that Mort spent £80,000 on his refrigeration experiments, and it is known that £20,000 was subscribed by pastoralists to finance a trial shipment of meat in the *Northam* in 1876, a Mort ammonia refrigeration plant being installed.

But it was not until the successful voyage in 1879-80 of the *Strathleven* from Sydney and Melbourne to London, that Mort's work of more than twenty years came to fruition. 'The *Strathleven* shipment proved the practical possibility of transporting perishable cargoes overseas by the use of artificially produced cold and assured the pastoralists of access to the markets of the old world.'<sup>97</sup> The pastoralists who had investigated the *Paraguay* trial promoted the refrigeration of some cargo space in the *Strathleven*. Members of the committee arranged with the firm of McIlwraith, McEacharn & Company to accept the risk of the shipment of forty tons of frozen beef and mutton, which was made from Sydney on 29 November 1879, and from Melbourne on 6 December, the steamer arrived at the Port of London on 2 February 1880, with its meat cargo in prime condition. The beef sold at 4½d. to 5½d. lb., the mutton a penny higher. Men who had had to do with the earliest fortunes of three colonies attended a celebratory luncheon on board the steamer which thus had pioneered a great trade—Andrew and Sir Thomas McIlwraith of Queensland, William Westgarth, the John Stuart Mill of Victoria, Sir Robert Torrens, jun., author of the South Australian Real Property Act of 1858. This trade was soon

96 Mort went to Sydney from London at the age of twenty-two years, and in 1841, in his twenty-fifth year, plunged into the contemporary boom with the Hunter River Steam Navigation Company. The company failed for a large sum in 1843 (*vide* Chapter III (i)) and Mort set up as an auctioneer. He conducted the first wool auctions to be held in Sydney, thus introducing what became the accepted means of marketing Australian wool. After that he devoted attention to railway promotion, the Mort's Dock and Engineering Company, and the first Australian goldmining company, the Great Nugget Vein Mining Company (1851). He died in 1878, shortly before the *Strathleven* voyage. The first statue to be erected in honour of an Australian citizen was erected in his memory in 1883 in Sydney. The *Dictionary of National Biography*, referring to his profit-sharing schemes, quotes a description of him as 'the greatest benefactor that the workmen of this country ever had.'

97. Ross Grant, *loc. cit.*, p. 46.

to be an important contributor to the value of Australian exports, and was to give New Zealand a staple export industry.<sup>98</sup> Already the preserved meat trade had reached fair dimensions. from 286,000 lbs. exported from Australia in 1867 the annual export rose to two million pounds in 1869, sixteen million pounds in the year of the *Strathleven's* arrival. But the frozen meat trade of Australasia soon dwarfed such figures. By 1896, for instance, or seventeen years after the first successful shipment, the colonies were able to send away 340,000 quarters of beef, 850,000 lambs and three million sheep carcasses, the equivalent of 50 million sheep.<sup>99</sup> Queensland supplied most of the beef, and New Zealand crossbred sheep represented more than half of the mutton exported. By this time more than a hundred steamers had been fitted with refrigerating machinery for the Australian and New Zealand trade.

The animal population of the colonial pastures increased greatly, as it became worth the grazier's while to stock heavily for the meat as well as the wool market. In 1860 there were four million cattle on the continent (and 200,000 in New Zealand), and twenty million sheep (besides three million in New Zealand), but in 1880 the numbers had gone up to seven and a half million head of cattle and sixty-two million sheep (New Zealand, 700,000 and thirteen million). In 1890, before the long *fin de siècle* drought set in on the mainland, there were more than ten million head of cattle and nearly a hundred million sheep. (The Argentine, which ranked with contemporary Australia as a place for English capital investment, had then twice as many head of cattle and two-thirds the number of sheep.)

The organization of the new industry on a large scale was commenced soon after the successful completion of the *Strathleven's* voyage. Queensland, to be the source of supply *par excellence*, had early—even before the *Strathleven's* voyage—been the scene of freezing works,<sup>1</sup> and other colonies were quick to enter the field from 1880. D. McEacharn, then of Melbourne, told the Australasian Chambers of Commerce in 1897 that he had come to Australia

98 *vide* Critchell and Raymond, *op. cit.*, Chapter XXII, by Sir Joseph Ward (Prime Minister of New Zealand, 1906-12), for an account of New Zealand's gain from the meat trade from 1880, when 'the pastoral interests of the Colony had reached a crisis'. In 1885 the value of the export was £374,000, *c.f.* wool, £3 2m, but in the 1930's the chilled and frozen meat trade was worth more than the wool trade in each year except 1934 and 1935 *vide* N.Z. Y.B., 1937, and compare with Ward's statement quoted above Critchell and Raymond (p. 46), 'In New Zealand the freezing industry arrived in the nick of time to place farming . . . on a paying basis'.

99 According to J. H. Geddes, at pp. 160-1 of the Report of the 1897 Australasian Conference of Chambers of Commerce.

1 The first meat freezing works in Queensland was established at Lake's Creek, near Rockhampton, in 1871. Robert Christison, with the support of London capital, tried to make a shipment of meat from freezing works at Poole Island in 1884, but his ship was wrecked in the harbour by a cyclone (*vide* his daughter's *Christison of Lammermoor*, by M. M. Bennett, London, Aiston Rivers, 1927).

in 1879-80 to initiate what has proved to be such a very important trade.<sup>2</sup> In Victoria the Australian Frozen Meat Export Company was formed in 1880, with Sir James McCulloch as chairman of a board of directors which included George Fairbairn, who had been a member of the *Strathleven* committee of pastoralists, J. L. Currie and C. M. Officer, members of three great squatting families. The first inland freezing works in New South Wales was opened at Orange in 1881, it was inspected by T. Brydone in 1882, he returned to New Zealand and helped to promote that year the first frozen meat shipment from that colony—in the *Dunedin*, Port Chalmers to London 15 February-24 May.<sup>3</sup> The New Zealand and Australian Land Company, an Edinburgh firm, was the pioneer of the New Zealand meat export trade. Fifteen years later there were twenty-two freezing establishments in New Zealand where the export industry reached its highest stage of development. Another sort of refrigerated cargo also owed its expansion into a great trade, at first especially from New Zealand, to the *Strathleven* success. That ship had carried an experimental consignment of 8,000 lbs of Victorian butter.

### viii *The Dairy Products Export Industry*

Unlike the meat export industry, and like wheatgrowing (ultimately for export), dairying as an export industry was the undertaking of small men, who received encouragement and help from the state. Fittingly, the beginnings of the industry in Victoria were marked by an association which illustrates this contrast. The richly supported Australian Frozen Meat Export Company built freezing works at Maribyrnong, a Melbourne suburb beside a tributary of the River Yarra, and stores at the bayside suburb of Newport. The company was wound up in 1886, its Newport store was then acquired for £17,700 by the Victorian Government to be 'a terminal establishment for the housing of dairy produce'.<sup>4</sup> At that time, 1888, Victorian dairymen were being given state assistance of many kinds—a 'travelling dairy,' with a lecturer and demonstrator toured the Gippsland holdings for the Lands Department, the newly appointed Railways Commissioners made reductions of freights charged on dairy produce and placed special rolling stock on the lines to carry butter, and it was proposed to spend £50,000 on equipping 170 country railway stations with goods sheds to receive dairy produce.<sup>5</sup> (The itinerant dairy, with demonstrator, had been

2 1897 Chambers of Commerce Conference Report *cit.* p. 165

3 *ibid.* p. 159

4 Victorian *Parliamentary Debates* 1888 vol. LVII p. 523

5. *ibid.* LVII pp. 296-521-4 for details

introduced in New Zealand some years before. The *New Zealand Country Journal* for September 1883 describes the institution in Auckland Province.) The forms which this solicitude on the part of the state took, in the last boom years of the nineteenth century, anticipated down to details the forms of state aid which would be forthcoming a generation later. It may not be amiss to consider first something of the story of Victoria, the pattern, where, however, the dairy produce export industry did not develop first or fastest among the Australasian colonies. The Gillies-Deakin government of Victoria, which had led the way in irrigation, did not stop at that point, in its encouragement of smallholders. It offered further encouragement to the farmers, dairymen and orchardists whose invasion of irrigable and other lands it had facilitated. 'If we are to have protection, and I am willing to accept the doctrine,' said the freetrader Sir Charles Gavan Duffy, Chief Secretary in this government, 'I want at the same time to see the farmers allowed to come in and receive a fair share of the protection that is going.'<sup>6</sup> It was now more than a quarter of a century since Duffy and others had legislated to place small men on the land, and since the principle of a protective tariff had been accepted in Victoria, and though Victorians now grew twice as much wheat as Victorians *etc.*, the revised colonial economy still needed, in the estimation of parliamentarians, the constant careful guidance of state policy. The means of encouragement which Gillies and Duffy now proposed was a bonus or subsidy system not different in principle from the means which early governors had used in New South Wales nearly ninety years earlier. It was decided to allot a substantial proportion of the 1887-8 budget surplus (£250,000 out of £837,000) to farmers and others who contributed to the efficiency of certain primary industries. According to the premier, Duncan Gillies, the object aimed at was 'first, to promote an improvement in the quality and the packing of dairy produce and fresh fruits exported to the London market.'<sup>7</sup> Legislation<sup>8</sup> to this end provided that the government should pay bonuses in respect of the best samples of produce raised for export, the best methods of packing produce, the invention of agricultural machinery; persons establishing butter factories and fruit canneries and drying plants would receive money subsidies. and sums amounting to many thousands were to be laid out in

6. *Victorian Parly. Debates*, lviii, p. 953, debate on the Budget of 1888-9.

7. *ibid.*, lvi, pp. 520-22, for Gillies' speech.

8. The 1888 Appropriation Act provided (52 Vict., No. 1006, Division 100) for the allotment of £250,000 in bonuses, *etc.* The 1889 Appropriation Act included a similar provision (53 Vict., No. 1043, Division 101), now stated at £233,000, and an Agricultural Bonuses Act (53 Vict., No. 1046) was passed shortly afterwards to prevent the lapse of the appropriation (*vide Victorian Parly. Debates*, lxii, p. 2,515).

agricultural education, prizes to persons importing useful new seeds and varieties of plants, and so on. Actually, the government's problem after the 'year or two' during which primary producers, inventors and capitalists were to make their preparations for winning the prizes, would be how to persuade cultivators to stay on their land, rather than how to induce others to churn prize butter or tin prize pears and peaches. But the will to encourage diversified primary industry was there, and certainly it was worthy of note that before the 'nineties the Victorian government should have made proposals the like of which would not be realized until, years after the turn of the century, Australians should again regard their country as possessed of prospects of advancement.

However, New Zealand and New South Wales had both anticipated Victoria in interest in the development of dairy produce exporting. Frozen meat got into the British Board of Trade figures of principal colonial exports to Britain (1882) before dairy produce appeared there, but the use of the cream separator, the first Australian installation of which was made by the Fresh Food & Ice Company at Mittagong, New South Wales, in 1881, and the organization of farmers' co-operative butter factories about the same time, soon made possible an export trade in butter, and in 1889 New Zealand could export two and a third million pounds weight of butter, Victoria half a million and New South Wales more than a quarter million pounds.<sup>9</sup>

The co-operatives may have originated in Kiama, New South Wales, in 1884, but even before the 'eighties dairying was more important in New Zealand, where it would be developed most, than in any mainland colony. Already in 1881 the New Zealand Registrar-General, while admitting that the occupational statistics returned by the census there were inferior to those obtained elsewhere, boasted that the New Zealand household schedule used at the census required 'more particulars of information than that in use in any other country', it included 'the annual produce of butter and cheese.'<sup>10</sup> In general, the elements in the successful development of colonial dairying were (1) the use of the Danish cream separator, (2) the successful organization of dairy farmers' co-operative butter factories, (3) refrigeration, (4) the introduction of fodder grasses, (5) state aid, and (6) an expansion of the overseas market consequent upon the decline of the United States export trade in

9. *vide*, for the beginnings of Australian dairying as an industry capable of organization for butter and cheese export an excellent article, 'Dairying,' by W S Campbell, sometime under-secretary, NSW Dept of Agriculture, in the *Australian Encyclopaedia*, also Coghlan's *Seven Colonies* (1901-2), pp 651 *et seq*

10. New Zealand Census, 1881, Report, p. 1

foodstuffs.<sup>11</sup> The separator,<sup>12</sup> the factory,<sup>13</sup> and refrigeration are what concern us at this stage of development of the industry. But it may be noted that in 1891 Baron Sir Ferdinand von Mueller, the Victorian government botanist, introduced paspalum grass from Brazil, making a revolution in dairying by providing a good supply of summer feed. The innovation did much to put the export industry on a firm basis, which was buttressed when, after economic crisis, money advances to settlers became government policy in New Zealand and the south eastern Australian colonies.

It was the lavish borrowing by New Zealand governments in the 1870's, and the application of loan money to the service of primary industry, which, in the circumstances of the development of freezing and cream separating machinery and of the factory system, made possible the rapid conversion of a stagnant colony into a great food producer for export. Money and people flooded into New Zealand in the seventies. The excess of arrivals in New Zealand over departures from it in the five years 1871-5 (81,946) was almost as great as the total excess in the twenty years 1881-1900, during which the harvest was reaped of the £21m which the colony had borrowed in the 'seventies and the scores of thousands of emigrant workers whom the New Zealand government had assisted out to the colony. The year 1882, after this furious preparation, was justly described by a contemporary as 'perhaps the most eventful one in the history of the colony,'<sup>14</sup> inasmuch as the frozen meat export trade and factory dairy production, were established

11 cf *The Marketing of Australian and New Zealand Primary Products* by W. Miller Smith Chapter IV especially p. 116 London Pitman 1936.

12 The evolution of dairy machinery up to the cream separator is well described in Chapter XXX of *Dairy Farming* by J. P. Sheldon (London Cassell circa 1951). He writes (p. 148) that patents for improved milk pans and coolers began to be taken out in 1459 although few were issued prior to 1865 during the next fourteen years over one hundred and fifty devices of this class were patented in the United States. The same authority writes in his *Milk Farm and the Dairy* (London Bell 1959) p. 67 of the centrifugal cream separator which is one of the most wonderful inventions of a wonderful age. Sheldon says that the initial idea of the separator was illustrated at an International Dairy Show at Hamburg in the spring of 1877. On p. 67 he gives an illustration of a large machine. Laval's and write (p. 68) of a Danish separator more elaborate than Laval's. Advertising brochures of the modern Swedish machinery firm which bears Laval's name state that the first continuous discharge centrifugal separator was invented by Gustaf de Laval in Sweden in 1878. Various early separators are illustrated in the New Zealand official pamphlet *The Manufacture of Cheese, Butter and Bacon in New Zealand* by W. Bowron (Wellington Government Printer 1883) pp. 22 et seq. The director in 1893 of the Longrenson Victoria Experimental Farm William Brown wrote (*The Science and Practice of Butter Making in Australasia* p. 159 Melbourne McCarron Bird 1889) that the cream separator was invented in 1877.

13 vide Sheldon's *Dairy Farming* Chapter XXXI for an historical account of the dairy factory system. The beginning of associated dairying distinctively known as the American Factory System is described on p. 465. It is attributed to Jesse Williams of Rome NY who founded a co-operative cheese factory there in 1851. Butter factories were established from 1861 (p. 182) though still in 1874 the factory produced butter in the U.S.A. was only 3.2m lbs cf 107.9m lbs made in farm dairies. According to Brown *op. cit.* the factory system was used in Canada from 1882. The system making for reduction of overhead costs and improved efficiency was introduced into New Zealand New South Wales and Victoria about then.

14 *N.Z. Country Journal* January 1883.

then New Zealand was not the only colony to benefit, when crisis came in the nineties, by the development of new industries in the twenty years or so before. In New South Wales, for instance the pastoral proportion of breadwinners fell off between 1891 and 1901, while the agricultural proportion showed no advance, but at least the dairy proportion increased as did the mining proportion now hills of silver were yielding millions of money every year.

### 12. *The Mining Revival*

The most productive era of Australian mining since the 'fifties, and the era of the most diversified mining in the century, began in the early 'eighties, when the Broken Hill Proprietary Company mine, 'the greatest silver mine in the world,'<sup>15</sup> and Mount Morgan, a hill of 'the richest native gold hitherto found,'<sup>16</sup> began pouring out millions of wealth. A great increase of production of black coal accompanied a revival of base metal mining—copper, silver, lead, and non-ores alike needed coal (coke) for their smelting—and the quickly increasing demand for coal by the government railways. The decline of gold mining was more than compensated for at this time when Australian heavy industry—the production of capital goods—was made possible by the working of veritable mountains of many metals, and of the deep rich seams of black coal which were hewed from the New South Wales coastal fringe, out under the bed of the Pacific. By these operations the acceleration of Australian manufactures was accomplished, and what, not much more than a generation earlier, had been the simplest kind of pastoral economy became a complex economy of many facets. A very great change came over the face of the land. Even as recently as the 'sixties, what an American writer<sup>17</sup> called 'enthusiastic savants' had been prophesying of the Victorian gold deposits then known, that they would 'give employment to a hundred thousand labourers for three hundred years.' But it had not turned out so. Decade by decade, from the 'fifties to the eighties, Australian gold production fell, from 25m oz to 19m to 14.4m to 11.6m, while the Australian proportion of world output fell from 40 per

15 By the magnitude of its ore body, high grade and consequent value the Proprietary had become the greatest silver mine in the world (in five years from the discovery in 1893) according to the *BHP Review* Jubilee No. June 1933, p. 10.

16 In 1887 Dr Liebius Master of the Sydney branch of the Royal Mint reported of Mount Morgan samples for assay. It assays 99.7 per cent of gold, the rest is copper with a trace of iron. Gold assaying 99.7 per cent is worth £1 4s 8d per oz. Gold from the same mine received at the Mint assayed as high as 99.9 per cent. It is as far as I know the richest native gold hitherto found. (*Report on the Gold Mines of Mount Morgan* by J. Macdonald (London pp. 13-14 Rockhampton Bulletin 1887).)

17 Albert D. Richardson in his article Mining in *The American Year Book and National Register* 1869 p. 646.

cent to 35, 39 and then 22 per cent.<sup>18</sup> There were only 36,000 miners in Victoria in 1881, 23,000 in 1891, compared with 83,000 in 1861 and perhaps nearly double that number three years before.<sup>19</sup> Relatively to the increased population, only about a quarter of the number of New South Wales and Victorian breadwinners who worked in gold mines in 1861, belonged to that occupation in 1881. But even in 1881, more than a third of the proportion of New South Wales breadwinners who worked in mines, were coal, silver-lead, copper, tin miners, and not gold miners, and in 1891, after eight years' mining at Broken Hill, two-thirds of New South Wales miners worked on ores other than gold. However, considering gold mining as it stood in Australasia, before we take note of Mount Morgan, and of the new branches of mining, we find that in the 'seventies every colony except Western Australia produced some gold, Queensland being second to Victoria, and that in the next decade the Queensland output, swollen by the Mount Morgan and Croydon yields, was almost half as great as that of Victoria.<sup>20</sup> In New Zealand, after Gabriel Read's discovery in mid-1861 of the Otago field, there was a 'rush' to the Westland field (1863), and in the twenty-eight years before 1889 the colony produced in all more than 11m. fine oz.<sup>21</sup> In the old centres of large production, the bulk of the gold was now got from crushing quartz (64 per cent of Victorian gold production in 1880, for instance),<sup>22</sup> the individual digger in the alluvium (*vide* Chapter IV, i) was by now an historical figure, though the prospector and the fossicker were still figures as characteristic of the Australian outback as was the boundary rider, or the sundowner—the tramp of the bush roads. Very little mining that was not company mining was carried on in Australia after the 'seventies,<sup>23</sup> and this applied to the getting of every kind of metal.

The brothers E. F. and Tom Morgan, in July 1882, discovered the goldfield which bears their family name. (Mount Morgan, still yielding gold more than half a century after its first working, lies twenty-two miles south-south-west of Rockhampton, Queensland). The original owners were these two and their brother, Edwin Morgan, and a nephew who kept half of his share and sold the other

18 Commonwealth Y B., 1936, p. 582, *The Economic Resources of Australia*, by H. L. Harris, p. 80, Sydney, Angus & Robertson, 1933.

19 Report, Victorian Census, 1891, the facts in the next sentence are from NSW Census Reports.

20 For an estimate of each colony's production to 1888, *vide* Coghlan's *Australasian Statistics* (1889). For each colony's production (values), decade by decade from 1851-60, *vide* Commonwealth Y B.

21 J. R. Elder's *Goldseekers and Bushrangers in New Zealand* (London, Blackie, 1930) gives a story of N.Z. gold mining.

22 Victorian Blue Book, 1890.

23 *i.e.*, except in the years of depression in the 1890's and 1930's, when thousands of unemployed men went prospecting, or fossicking in old fields.

half to four men, including William Knox D'Arcy, the New Zealander who, making a vast fortune out of Mount Morgan, subsequently opened the rich oilfields of Persia to exploitation by British capital. A million pound company was formed to work the mine in October 1886. Nearly 2m. oz. of gold was extracted in the next thirteen years from a million tons of ore; the yield of nearly 2 oz. per ton was worth £7.7m. in all, of which costs absorbed only £2.6m., £4.475m. being distributed in dividends, or about £6 per paid-up £1 share.<sup>24</sup> Mount Morgan stood originally 1,225 feet above sea-level, but 195 feet of its top had been removed by the end of the century, to disclose these millions. At this point it may be illuminating to make a rough comparison of the operations in the great New South Wales silver-lead lodes and the great Queensland gold lodes which were bared in the 'eighties. Compared with Mount Morgan's 2m. oz. of gold, from 1886, yielding £4.475m. dividends, the B.H.P. mine gave something like 100m. oz. of silver, 400,000 tons of lead, and not inconsiderable quantities of gold (from the second quarter of 1890) and copper (from the first quarter of 1891). Shareholders received, besides valuable shares in subsidiary companies, £7.28m. in dividends and bonuses to mid-1898.<sup>25</sup> The capital investment on which these companies often paid a dividend of more than 100 per cent per annum, was a little more than £800,000 in the case of Mount Morgan, less than £400,000 in that of the B.H.P. In Mount Morgan's best year, 1889, when the average yield of gold was more than 4 oz. per ton, and 323,542 oz. was recovered, the output was worth £1.335m., of which £1.1m. was distributed to shareholders. But in 1891, when B.H.P. shareholders received a similar sum in dividends, on less than half the capital invested in Mount Morgan, the B.H.P. output was worth £2.3m. Both enterprises were thus astonishingly profitable. Alike in another important respect, both were able to stimulate or adopt technological advance. At Mount Morgan, electric power was used from an early stage, and in 1896 a power station was installed to supply electric lighting, pumping and air-compressing. B.H.P. made a revolution of the smelting techniques which had been developed or adopted in Australia since base metal mining was commenced in the 1840's; in addition, it introduced important innovations like A. D. Carmichael's flotation process to get zinc concentrates. Such developments, however, belong to a later part of the narrative.

The silver-lead ores of the Barrier Range, discovered by Charles

<sup>24</sup> *vide The Goldfields of Queensland 1858 to 1899*, by William Lees, pp. 67-84 (Brisbane, Outridge, 1899), for the story and statistics of the Mount Morgan Mine.

<sup>25</sup> B.H.P. Co. half-yearly report, No. 26 (Half-yearly reports were published from 15 December 1885)

Rasp, a boundary rider, in 1883, and worked by the B.I.P. Company from 1885, were to nourish that concern to stature as the greatest private capital interest in Australia, with £11m. capital in 1939, £9m. reserves, and colossal holdings in subsidiary and allied companies, including the whole of the ordinary shares of a £5m. concern. But its development was not an isolated case. Silver-lead was found at Mount Zeehan, Tasmania, in the middle 'eighties, and copper (and gold) at Mount Lyell in the same colony. The greatest known repository of copper was still South Australia, where the Kapunda mine was producing the ore from 1842 until 1879, and the Burra Burra from 1845 until about the same time. New discoveries, of the Wallaroo and Moonta fields, were made in South Australia in 1860 and 1861, and by the middle 'seventies the three townships on these fields had 20,000 population. Both copper and tin had been produced in New South Wales from fairly early in the second half of the nineteenth century, and New South Wales sent away to the Paris Exhibition of 1867 ingots and samples of copper ores from near Orange and Goulburn, besides specimens of stream tin, and bars.<sup>26</sup> In Tasmania the Mount Bischoff Tin Company forged ahead in the 'eighties. It is interesting to find the Wallaroo and Moonta managements smelting their ores near Adelaide and getting their coal for smelting from Newcastle, in seven or eight ships on a regular run, starting in the 'seventies to ship their low-grade ores in ballast to Newcastle, there to smelt it with small (i.e. waste) coal.<sup>27</sup> What would be an important iron and steel industry did not develop much, before the turn of the century when B.I.P. acquired the ores (two-thirds metal) at Lion Monarch and Lion Knob in South Australia.<sup>28</sup> But the coal trade flourished. The centre of this oldest branch of Australian mining was, as it would remain, New South Wales. Coal production had not been great while the Australian Agricultural Company retained (until 1847) its old monopoly, and while few steamers visited Australian ports and no railways ran. But whereas in 1850 New South Wales had produced only 190,000 tons (including the A.A. Company, 58,000 tons), in 1881 the colony was able to produce nearly 2m. tons and export more than half of it.<sup>29</sup> The railways

<sup>26</sup> *vide* NSW Catalogue, Paris Exhibition of 1867 and Commodore J. G. Goodenough's *Journal*, pp. 256-62, etc. (London, Henry S. King, 1876), for information on base metal mining in the third quarter of the century.

<sup>27</sup> Goodenough, *op. cit.* p. 256.

<sup>28</sup> For the history of iron mining in Australia, *vide* the 'Iron' article in *Aust. Encyc.*, in which are well described the iron enterprises at Mittagong (from 1852) and Lithgow (from 1875), New South Wales. *c.f.* Commonwealth Y.B., No. 3, 1901-9, pp. 508, 509. *vide* also Commonwealth Year Book, No. 3 (1909), for a special article on the history of iron mining in Australia, pp. 508-10, No. 5 (1911), pp. 498-9, copper mining. *vide* also *B.H.P. Review*, *passim*.

<sup>29</sup> *vide* *The Australian Agricultural Company, 1824-75*, by Jesse Gregson, p. 996 (Sydney, Angus & Robertson, 1907), and *Blue Books*.

and smelters at home, the bunkers trade, and export to the other colonies and to the United States, India and China, were the new avenues along which the coal trade pushed. There was no lack of coal to get for the new markets, and most of the supply was concentrated in less than 17,000 square miles of New South Wales, stretched along 160 miles of coast and inland not farther than 150 miles (at Dubbo).<sup>30</sup> 'In New South Wales alone,' writes Professor Mauldon, who gives this description, 'is there a regional concentration of collieries comparable to that of the "coal lands" of Europe and America.'<sup>31</sup>

#### x. *Manufactures*

The manufacturing industries of Australia virtually had their origin in the exigencies of gold production in the 'fifties, requiring near-at-hand facilities to meet the needs of new population. They were nurtured from the 'sixties by the state in the then principal colony, Victoria, and in most of the other colonies as they grew during the second half of the century. It was problems of re-employment after short spells of extensive gold-getting, and the multiplication of needs as the new primary industries arose and large engineering enterprises were undertaken to provide railways, roads, telegraphs and other services, that attracted attention to manufacturing possibilities, and thence to the old device of a protective tariff. A growing local market was a constant encouragement to colonial manufacturing enterprise, and by the end of the 1920's manufacturing industry accounted for 36 per cent of the total value of Australian production, though but 3 per cent of the value of exports.

Quite early (1858) the Victorian Registrar-General had noticed the extensive introduction of 'mills, breweries, foundries, gasworks, together with agricultural implement and other manufactories,' and what with meat-preserving works, tanneries and the like, the New South Wales Blue Books of yet earlier dates show some signs of manufacturing activity. It was meatworks and harvester works that introduced the factory note into colonial economy, and as time passed after the first mining of precious and base metals had become important industries, manufacturing concomitants to them grew up. As Coghlan wrote of his time as statistician, the late nineteenth century, 'The greater portion of the manufactories of Australasia may be classified as domestic industries—that is to say, industries naturally arising from the circumstances of the population,

<sup>30</sup> *The Economics of Australian Coal*, by F R E Mauldon, p 14, Melbourne University Press, 1929

<sup>31</sup> *ibid.*, p. 19.

or connected with the treatment of perishable products.<sup>32</sup> Thus, to take the industries of Victoria in 1888, of 2,854 businesses which were classified as factories, 238 (employing 2,517 people) were brick-yards or potteries, eight were woollen mills (784), and 141 were tanneries, fellmongeries, or other establishments serving the pastoral industry, these employed 1,508 hands. The largest establishments tended to be those which treated local products. Of the fifteen Victorian firms which in 1881 employed more than 100 hands each, five treated 'animal and vegetable matter,' four were clothing factories, and two worked metals, according to the census report of that year. At the end of the 'eighties, more than 40,000 Victorians were employed in secondary industry. Not that manufacturing was at that time a conspicuous element in any part of Australasia. The only Victorian secondary industries in which the aggregate of values of machinery, plant, buildings, land, etc., was more than £1m.—the total for all secondary industries was estimated to be less than £15m.<sup>33</sup>—were printing, iron foundries and engineering works, breweries, sawmills and timber mills, and gasworks.

Taking the employment statistics, in Victoria the percentage classified as being employed in commerce *and* manufactures was about 16 in 1861-81, and 23·5 per cent in 1891, in New South Wales the percentages in 1861 and 1871 were similar, with a rise to about 20 per cent in 1881-91. This is not a very useful indication of the position of manufacturing or manufacturing employment from time to time. Nor do we necessarily learn much from the Victorian Statist's calculation that in 1891 manufactures employed 88,694 persons in Victoria compared with 74 559 in New South Wales, for according to the New South Wales Statistician of the time, 'industrial' employment occupied 168,000 persons in Victoria in 1891, 140,000 in New South Wales.<sup>34</sup> However, there seems agreement that Victoria had succeeded in putting the more stress on non-primary industrial employment. Taking the situation in the seven colonies at large, there were in 1885 more than 10,000 'factories' (but nearly half of those in the principal manufacturing colony, Victoria, were classed as employing 'manual labour only'), employing more than 105,000 hands, in 1890 there were more than

32. *The Seven Colonies of Australasia*, by T A Coghlan, 1901-2 ed., p. 658 cf. his *Results of the Census of the Seven Colonies, etc.* (Sydney, Government Printer, 1894), in which he assembles the occupation statistics returned to the various Government Statisticians at the census of 1891. Of 487,000 persons in the 'industrial' group (30 per cent of bread-winners), 100,000 were employed in textiles, 45,000 in 'minerals and metals,' 24,000 in working 'animal and vegetable substances,' and 117,000 on building and construction, including roads, railways, etc.

33. Victorian Y B., 1888-9.

34. *vide* Reports, N.S.W. and Victorian census of 1891, and Coghlan's *Results of the Census*.

11,000, employing 133,000<sup>35</sup> But until the new century, and the federation of six of the seven colonies, factory industry made small, slow progress, and intercolonial tariff discrimination restricted the Australian market

#### xi *Tropical Agriculture*

The cultivation of cotton and the sugar cane was begun on a commercial scale in Queensland at the opening of the 'sixties, and though cotton planting soon declined after the cessation of hostilities in the American civil war in 1865, sugar continued to advance. By the nineteenth thirties, when the Queensland sugar industry was well established behind Commonwealth protective devices, cotton cultivation was again of some consequence. A special interest attaches to these industries, apart from their economic significance, inasmuch as pioneer planters in each were also pioneers in the introduction into Queensland of Kanaka labour recruited in the Pacific islands and carried by 'blackbirding' schooners to Australian ports, for indenture to planters.

Thomas Scott was the father of tropical agriculture in Australia, as James Ruse was of wheatgrowing and John Macarthur of woolgrowing. The man acquired in his lifetime a character akin to legend, though this brought him small material reward and was not enough to win for his name inclusion in the pages of Australian books of reference. But, to his younger contemporaries, he must have appeared as a semi-mythical figure, who could speak in 1869 of his management of his father's sugar plantation at Golden Grove in the island of Antigua in the West Indies—that was in 1796 or 1797<sup>36</sup>. By 1869 Scott had an experience of these newer Australian colonies extending over fifty-three years. He reached Sydney in 1816, *en route* from the West Indies to join his uncle in Calcutta. But New South Wales appearing to him to enjoy a climate having 'infinitely superior' advantages to that of New Orleans, which he had visited, he broke his journey at Sydney, to investigate the possibilities of local sugargrowing. He spent two or three years first, however, at Rātāua, New Zealand, planting sugar cane for the London Missionary Society (whose Australasian agent was the Reverend Samuel Marsden). He returned to Sydney in 1819, according to his own account,<sup>37</sup> and was promptly offered by Major

35 Australasian figures from Coghlan's *Seven Colonies* (1901-2) p. 658. manual labour only' parenthesis from the Victorian Year Book 1889-90.

36 *Accounts and Papers* NSW Legislative Assembly progress report of the select committee on sugar cultivation 24 March 1869 Minutes of Evidence p. 5.

37 Memorial of Thomas Scott to the Executive Council of NSW 18 September 1868, *Accounts and Papers* Leg. Assembly of NSW 1868 *Sugar Cultivation Correspondence* v Thomas Scott.

Goulburn, the Colonial Secretary, a salary of £250 a year to plant sugar cane at Port Macquarie in northern New South Wales. He refused the salary but started a plantation at Prospect on the Hastings River, at the mouth of which lies Port Macquarie. Government gave him a bonus of £800 in 1822 for making sugar from a crop which yielded four tons to the acre. But his Prospect venture soon came to an end because of losses by fire, and increased overhead cost after the abolition of the re-transportation settlement at Port Macquarie. However in 1833, half a dozen years later, he grew cane and made sugar at his plantation by Brisbane Water, a few miles north of Sydney. Official enthusiasm for sugarcrowing had abated by 1826 ('when General Darling came here to replace Sir Thomas Brisbane' and commercial crisis had been experienced), but Scott benefited to the extent of four square miles of land by Brisbane Water, under the generous policy of the last period of land grants. He put only five of his 2,560 acres under cane, and by way of experiment, not for profit. Thirty-six years later, his recollection was that his plot gave 25-30 per cent more sugar than was generally obtained from an equal area of Antigua and 55 per cent more than the New Orleans average.

Scott's activities extended north into Queensland—'I sent them samples of the sugar I made, and, the second time I went to Queensland, they admitted to me . . . that they were indebted to me for the benefit Queensland now enjoys.' As far as New South Wales was concerned, Dr. J. D. Lang held that Scott was 'decidedly,' 'unquestionably,' the pioneer of sugarcrowing.<sup>38</sup> His experimental work is however of most significance in relation to Queensland, which by the 1930's was producing much more than half a million tons of sugar a year, compared with a New South Wales production of a few thousand tons. A former director of the Queensland Bureau of Sugar Experiment Stations, H. T. Easterby, writes of the beginnings of actual cultivation in Queensland,

The first sugar produced in Queensland, according to Mr. Walter Hill, at one time in charge of the Botanic Gardens, Brisbane, was made as follows:—Sugar cane was taken from the Botanic Gardens in December 1859, and passed between two steel rollers. The juice was taken to Mr. Brooks's factory in Queen Street, and about 6 lbs. of sugar was made in a copper vessel. . . . In 1861, sugar cane was exhibited at the first Queensland Exhibition, also a good quality of rum manufactured from the same.<sup>39</sup>

<sup>38</sup> *Accounts and Papers*, second progress report, 4 May 1870, min ev., p. 1 *cf* *The Sugar Cane in Australia*, ed. Angus Mackay, p. 75 (Brisbane, 1870), where Scott is described as 'the veteran advocate of sugar cultivation', 'for over forty years, and often in the face of opposition and ridicule, Mr. Scott held to it that the cane would do well in Australia'.

<sup>39</sup> *The Queensland Sugar Industry*, by H. T. Easterby, pp. 1-2, Brisbane, Government Printer, 1951. This is the best source for most information on the development of sugar cane growing.

However, 'the earliest statistical record of sugar cane as a crop is that which credits Queensland with an area of 20 acres for the season 1862-63,' according to the Commonwealth Year Book.<sup>40</sup> This Queensland industry did not derive directly from Thomas Scott's work in New South Wales. He gave evidence<sup>41</sup> in 1869 that when he went to Queensland in 1863 or 1864 the only sugar cane growing there was in the Botanic Gardens, Brisbane, and on the plantation of Captain the Honourable Louis Hope. 'I supplied Queensland with sugar canes,' he said. 'Captain Hope got about 200,000 plants from me.' Hope, at his Ormiston plantation at Cleveland, a few miles north west of Brisbane, was undoubtedly 'the pioneer sugar planter in Queensland,' as an official publication of the 'seventies'<sup>42</sup> calls him. In 1874, when Hope was so described, John Buhôt, who had made a successful refining of the Botanic Gardens crop of 1862, was given 500 acres by the Queensland government as the first man to have made sugar from Queensland-grown cane.<sup>43</sup>

The early sugar plantations were scattered along the Queensland coastal rivers over a narrow strip stretching north from Brisbane rather more than 100 miles to Maryborough. Hope had 15 acres under cane, in the year of Buhôt's first refining, and planting was commenced then on part of the Caboolture Cotton Company's plantation, to the north of Brisbane. The Botanic Gardens, Brisbane, and Scott's plot at Brisbane Water (modern Woy Woy, N.S.W.) were the new growers' sources of cane supply.

The Australasian Sugar Company, founded in Sydney in 1842, and taken over by the Colonial Sugar Refining Company in 1855, was the pioneer refining concern, with £117m paid up capital, in 1940, the CSR seemed at length to rival the B.I.P. in stature. The first Queensland sugar factory was built, as early as 1864, in the neighbourhood of Captain Hope's plantation at Cleveland, but its life was short—seven months to November of that year. The Pimpama Company built a small refinery two years later, and next year George Raff (who had taken over

40 No. 27 (1933) p. 584.

41 *Accounts and Papers* first progress report *Min. Ev.* p. 11.

42 *Analyses of Queensland Sugar and Wheat Soils* by Richard Daintree. Queensland Agent General in London. A catalogue of an exhibit of Queensland soils at the International Exhibition London 1874. Hope was the second man to import Kanaka labour into Queensland and the first to import it for the cane-fields. *vide* Ersterby *op. cit.* p. 124.

43 Ersterby *op. cit.* p. 2. The first mention of the sugar cane in Queensland is probably that which was made in a missionary narrative of 1843 in which it is noted of Brisbane. The climate being nearly tropical sugar cane is grown for fencing. (*Narrative of a Visit to the Australian Colonies* by James Backhouse p. 358 London 1843). There is reference to the Brisbane Botanic Gardens as an early scene of sugar cane growing in a letter Walter Hill to J. D. Lang 1 August 1860 *cit.* *The Sugar Cane in Queensland* by John H. Hinchcliffe p. 7. Brisbane Slater 1868 articles reprinted from the *Queenslander*.

the Caboolture Cotton Company's sugar cane area)<sup>44</sup> built a refinery. Two others were started in the Mackay district, and as, through the 'sixties, the plantation area crept north across the Tropic of Capricorn, refineries were built at Mackay and elsewhere. The area under cane was 2,000 acres, by 1868—half a dozen mills had manufactured 168 tons of sugar, the year before—and a beginning had been made to meet in Queensland an Australian demand for sugar which required the importation of well over £1m. worth, two-thirds of it from Mauritius and much from Java, each year.<sup>45</sup> Development of the Queensland industry was assisted by high prices in the early years, though colonial tariffs were something of an impediment—about 1880 Tasmania levied 6s. duty on each hundredweight of raw sugar, New South Wales 5s. and Victoria 3s. By this time, before the institution in 1893 of central sugar mills (i.e., mills outside plantation control), the production figure had passed 15,000 tons, which quantity, together with a New South Wales production of about half as much, was enough to meet a quarter of the requirements of the sweetest-toothed community in the world—the Australian sugar consumption was 16 lbs. higher per head than the English, standing next in the list.

Queensland remained a beef and wool country, though with a growing interest in sugar, during the rest of the nineteenth century, it was not yet in a position to compete with Fiji in the banana trade, and it grew little cereal. Cotton planting, started just before the civil war in America, got some footing in overseas markets for its product, in the late 'sixties and early 'seventies, but by the end of the 'eighties it had almost disappeared, not to be effectively revived until the 1920's.

## xii. *Australian Imperialism*

It was not until the partition of the German empire among the allied and associated powers after the European war of 1914-18 that the Commonwealth of Australia and the Dominion of New Zealand acquired international title to little empires of their own, the Mandated Territory of New Guinea in the case of Australia and Samoa in the case of New Zealand. (Papua which is part of New Guinea had, however, been administered for Britain by the Commonwealth of Australia since 1906.) But an imperialist drive

<sup>44</sup> *vide* Hinchcliffe, *op cit*, p. 8, Daintree, *op cit*. According to one writer, the first Queensland sugar cane sample crushed was crushed on the Caboolture River (article, 'Among the Sugar Canes,' by W. Senior, *Gentleman's Magazine*, 1880).

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had been commenced in the colonies as early as the 1870's, and on 4 April 1883, the government of Queensland had 'annexed' the eastern portion of the island of New Guinea, its action being endorsed by the governments of the other eastern and south eastern mainland colonies only to be repudiated by Whitehall on 11 July—'Our responsibilities are already heavy enough'<sup>46</sup>—and in December an Intercolonial Convention of the seven Australasian colonies decided unanimously that the imperial government ought to annex eastern New Guinea (the western areas were held by the government of the Netherlands) and the 'Western Pacific Islands from the Equator to the New Hebrides.' Next year a British protectorate was declared over the unclaimed portion of the southern coast of New Guinea, and the Imperial German Government annexed coastal areas in the north. The British annexed the lands within their protectorate on 4 August 1888. The Australasian colonies agreed to contribute towards the cost of administration of the new territories, and their object lesson in the subordinating of colonial to a wider imperial interest on that occasion, had much to do with their federation a dozen years later.

When we enquire why communities so young should have thrust themselves early into the international competition for position in the Pacific, we are compelled to consider certain factors which, political, economic, commercial and strategic as they variously were, incidentally depict the new character of Australia in the context of world interchange.

The country was now not only an exporter of some consequence to the old world markets, it was developing interests of its own in the South Seas. Mail steamer routes traversed Torres Strait in the north, and marine surveys had to be conducted there, the coloured labour recruiters for the canefields of Queensland were busy about hundreds of islands with which they built up trade connections in commodities additional to human flesh; the quickening interest of the new Imperialism, of Germany, France and the

<sup>46</sup> Lord Derby Secretary of State for the Colonies in the House of Lords 2 July 1883. Students of this phase of Pacific history will receive valuable help from two articles by A. C. V. Melbourne 'The Relations Between Australia and New Guinea up to Establishment of British Rule in 1888' in the *Journal of the Royal Australian Historical Society*, vol. 12, 1926-7, part I, pp. 288-314 and vol. 13, 1927, part III, pp. 145-172. This is a careful review of all the political and diplomatic transactions. In addition the valuable *Command Paper* No. 3905 of 1884 should be studied, it is the Report of a Commission appointed to inquire into the working of the Western Pacific Orders-in-Council, etc., February 1884. An article in the *Victorian Review*, vol. VIII, 1883 pp. 90-8, 'The Annexation of New Guinea' by George A. Bicknell, which may have gone to press (published 1 May 1883) before the McIlwraith annexation, gives the current colonial-imperialist, anti-Manchester view. The correspondence on the proposed annexation of New Guinea and the New Hebrides 18 April 1883 - 5 November 1883, is collected in the Report of the Proceedings of the Intercolonial Convention Sydney, November-December 1883 (Sydney, Government Printer, 1883) where also the official view of every colony, and the view of the Acting High Commissioner of the Western Pacific, Sir George Des Voeux, Governor of Fiji, are set out.

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United States, in the Pacific excited the apprehension of Colonial strategists and politicians as well as traders. At this period Queensland and New South Wales especially were interested in the islands of the Western Pacific, including New Guinea—Queensland because of its geographical situation and the questions of mail and trade communications arising from this, and because of its blackbirding fleets of schooners, New South Wales, because in the 'seventies 83 per cent of a total (ten years') Australasian trade of £65m., between the three eastern colonies and New Zealand on the one hand, and the Western Pacific Islands on the other, passed through New South Wales ports.<sup>47</sup> New South Wales imported more than £200,000 worth of island produce each year and sold nearly £300,000 worth of its goods to the islands. The Colonial Sugar Refining Company, which developed great interests in Fiji from 1880, would have a finger in the Pacific pie.

Australian interest in the South Sea islands was of early origin, dating back to Phillip's despatch of nearly 40 per cent of his troops and convicts to Norfolk Island, 800 miles off the New South Wales coast, in 1790. Australian merchants had trade connections with New Zealand, a few hundred miles further east, by the time another thirty years had passed; indeed Thomas Scott was trying to grow sugar cane there in 1820; and in 1867 a new line of interest was directed north-west, when a New Guinea Company was formed in Sydney to colonize the unclaimed half of that island. Mining men of a New Guinea Prospecting Association actually sailed in the *Maria* for New Guinea in January 1872, only to come to grief on the reefs of the Barrier, less auriferous than those they had had in view. By 1875, the New South Wales government, looking anxiously or imperially eastward and northward, was urging the British to annex New Guinea and the Solomons (a main recruiting ground for Kanaka labour), the New Hebrides, and the Marshall, Gilbert and Ellice island groups—the Marshalls and the Gilberts lie north of the Equator. But Whitehall was unimpressed by such representations from quarters which had refused to contribute anything towards the cost of administering Fiji, and though in 1878 the Queensland boundary was extended to the north to bring in the islands of Torres Strait, New Guinea was given no countenance except as an unclaimed area which lay within the province of the High Commissioner of the Western Pacific, who had his headquarters at Fiji. The Queensland resident magistrate on Thursday Island in Torres Strait was commissioned to visit New Guinea in 1877 and 1878, the Queensland government, like the Sydney group of 1867, having gold prospects chiefly in mind. As

47. Report of the (1883) Intercolonial Convention, p. 70.

telegraph and mail connections were established between Queensland and the Torres Strait islands, and the colony became better able to make out a case for the inclusion of New Guinea within its jurisdiction, McIlwraith, the premier, redoubled exertions to have the British annex the islands; Queensland would bear part of the cost. Lord Derby was evasive, and so on 20 March 1883, McIlwraith took matters into his own hands and ordered the resident magistrate at Thursday Island to proceed to New Guinea and annex the eastern areas. H. M. Chester, the magistrate, took this step on 4 April, claiming New Guinea from the 141st to the 155th meridian of east longitude. Lord Derby held that the Queensland government had acted without authority—a decision which postponed the British acquisition of much of eastern New Guinea for more than thirty years. At this time German commercial interest in the Pacific groups was quickening, and in August 1884 Berlin notified Whitehall that the German government proposed to take steps to protect South Sea islands with which German trade had been developed. Count Munster wrote,<sup>48</sup> 'There are parts of the wild country on the northern side of New Guinea which might be available as a field for German enterprise.' In October Derby requested the Admiralty to establish a protectorate of the southern coast only, from the 141st meridian. H.M.S. *Harrier* conveyed H. H. Romilly, deputy Commissioner of the Western Pacific, to proclaim the New Guinea Protectorate on 23 October. The German government annexed the northern areas, and on 4 August 1888, British sovereignty over the southern areas was proclaimed. The German portion of the island was taken by force of arms by Australian troops in 1914. Thirty years before, the colonial statesmen congregated at Sydney had viewed with chagrin their inability to impress Whitehall, and had announced their realization that some sort of Federal Union of the colonies was necessary, if they were to speak with one voice on such momentous questions as that of the acquisition of New Guinea and the islands. The delegates to the Intercolonial Convention of November-December 1883, had included the premiers of self-governing New South Wales (Alexander Stuart), Queensland (S. W. Griffith), Victoria (James Service), South Australia (J. C. Bray), New Zealand (H. A. Atkinson) and Tasmania (W. R. Giblin), and the Colonial Secretary of the Crown Colony of Western Australia (Malcolm Fraser). Their unanimity for annexation failed to move Whitehall then; fifty years later the Mandated Territory of New Guinea, formerly German, but by then under Australian administration, was exporting £1½m. worth of goods each year, including £1m. worth of gold, while

48 *cit* Melbourne, *loc. cit.*, vol. 13, p. 158 The account given is substantially his.

the poorer south of the eastern part of New Guinea, called Papua and under Australian administration from 1906 (*cf* the Mandated Territory, from 1920), was exporting nearly £300,000 worth, including some gold. The Solomon, Gilbert and Ellice Islands, for the annexation of which the colonies had asked in 1883, were all British by now, but the Marshalls were Japanese and the British shared control of the New Hebrides with the French.

### xiii *The External Trade of Australasia*

To this point the present historical survey of Australian and New Zealand economic development has taken in something of the stories of the rise of the main Australian and New Zealand industries, especially the export industries, from pasture, farm, plantation and mine. It becomes necessary to associate these industries in a trade context—to enquire as to the quantity, kind and direction of the overseas trade of the colonies as their economies assumed something closely resembling their modern shapes. We need to notice (1) the degree of importance of Australasian trade within British total trade, (2) the importance of the British connection as shown in the British proportion of Australasian total trade, (3) the principal commodities of Australasian export, and (4) the relative importance of the various Australasian colonies as exporters.

(1) *Australasian Trade as an Element of British Total Overseas Trade*—The Australasian colonies, by the end of the 'eighties, had almost as great a share (about one third) of United Kingdom total trade with British possessions as British India had, and much the same share of United Kingdom trade with all countries as Germany, of foreign countries, only the United States of America (£140m worth of exports to and imports from the United Kingdom in 1881, and £145m in 1891) and France (£70m and £69m) did a greater trade with Britain than did Australasia (£51m and £60m), the German figures were £53m and £57m for 1881 and 1891 respectively.<sup>49</sup>

(2) *British Trade as an Element of Australasian Total Overseas Trade*—Britain was by far the largest supplier of Australasian imports and took by far the greater part of the colonies' exports according to Coghlan,<sup>50</sup> 76 per cent in 1861, 76.8 per cent in 1871, 77.4 per cent in 1881 and 77.9 per cent in 1891, when the total

<sup>49</sup> Some of the statistics used in this section notably those from which intercolonial trade is said to be eliminated are from Coghlan's *Seven Colonies* (1901-2) pp 1053 *et seq*. Otherwise the figures are from the *Statistical Abstract for the United Kingdom 1875-89* and *ibid* for *British Possessions 1887-91*.

<sup>50</sup> Coghlan *loc cit*.

trade of Australasia was respectively £35.1m., £39.7m., £64.6m. and £84.7m. However, in spite of this well-maintained British proportion, the foreign element in Australasian trade had steadily become more marked. Australasian imports from foreign countries were worth £7.5m. in 1891, compared with £3.2m. thirty years before, and Australasian exports to foreign countries had risen from £746m. to £8.4m. (as foreign buyers picked up wool in Melbourne and Sydney, instead of indirectly through the London brokers).

(3) *The Principal Commodities of Australasian Export.*—Wool was the main item of Australasian export, but already since 1867 the colonies had a footing in the grain trade, which was worth twice as much to United Kingdom importers as the wool trade. In an odd year Australasia might supply, as in 1888, more than Canada, but it was not until after the turn of the century that Australia and New Zealand were of much consequence as British bread suppliers, the United States supplied half the total British grain purchases in 1891, Canada a twentieth, Australia a fiftieth, New Zealand not much more than half of one per cent.<sup>51</sup> Metals, including gold, copper, tin, silver-lead and coal, made up an increasing proportion of Australian exports through the 'eighties and 'nineties. Pastoral products such as leather, skins, hides and tallow contributed something, the eastern colonies and New Zealand were sending a few hundred thousands of pounds worth of frozen meat to England before the 'eighties were done, and from New Zealand particularly, but also from Victoria and New South Wales, butter and cheese were now being sent away. Queensland was exporting sugar.

(4) *The Seven Colonies as Exporters.*—Coghlan gives in a table of each colony's imports and exports for 1881 and 1891 (excluding, he says, intercolonial transactions) the extent to which the seven colonies shared in Australasian trade with the outside world at those dates. It needs to be kept in mind that the figures can at best be but a rough guide. For in all years the diversion of one colony's produce for export through the ports of another colony is a complicating factor (e.g., N.S.W. Riverina wool shipped through Victoria, N.S.W. metals through South Australia, Victorian Western District wheat through South Australia, etc.), and in some years drought affects only some colonies or some more than others. In the table below, from Coghlan's statistics, index numbers are given by which the importance of each colony as an exporter and an importer can be gauged in a general way. In the first half of the table, the total value of Australasian imports in 1881, £33.3m., equals

51 The *Statistical Abstracts* should be studied for the history of this trade

100, and the total value of exports in that year, £31·2m., equals 100. In the second half of the table, each corresponding figure for 1891 equals 100.

Colony	1881		1891	
	Imports	Exports	Imports	Exports
New South Wales . . . . .	34	30	34	33
Victoria .. .. .	32	37	31	26
South Australia . . . . .	11	10	10	13
New Zealand . . . . .	17	16	13	18
Queensland . . . . .	4 5	4	8	8

Western Australia and Tasmania shared the other two per cent or so of total colonial overseas trade, Western Australia having overhauled Tasmania in the 'eighties and having just surpassed it in 1891. As between the more important colonies, a number of changes of balance will be noticed in the comparison of (1) their proportions of total imports at the two dates, (2) the proportion of their exports to total exports at each date, and (3) their proportion of exports compared with their proportion of imports. The reasons for most of these changes appear from the economic history of the various colonies as it is described in earlier sections of this chapter.

Finally, it is to be recalled that soon after the first export of frozen meat, dairy produce and base metals, the world-wide price fall which had begun in 1874 touched its lowest point—in Victoria in 1894, in New Zealand next year, and in the United Kingdom in 1896. The fall (measured by the annual average wholesale prices of a number of commodities) had been considerable even by 1880, so that all three groups of Australasian products mentioned were introduced on a badly slumped market. Using the Board of Trade index of wholesale prices in the United Kingdom, the McIlwraith series for New Zealand, and Knibbs's series for Melbourne (these two are in the *Commonwealth Labour and Industrial Report No. 1*) we find that in 1880, the year of the *Strathleven's* arrival in England with the first frozen meat and butter from Australia, United Kingdom prices were 15 per cent below those ruling in the peak year 1873, Victorian prices 24 and New Zealand 23 per cent below. And by 1892 the world price level for the Australian staple, wool, had fallen 40 per cent below the level of twenty years before. However, it was during the twenty years of decline of prices that export industries to supplement the wool industry had been developed in the colonies; it was during those years that new sources of wealth had been tapped, and means of transport

and communication notably improved. It was the coincidence of these developments that made economic crisis in Australia and New Zealand, when it came, far less damaging than would otherwise have been the case. Before the crisis, and during the industrial expansion, Australia had not felt the price fall, the enhanced variety and quantity of the country's goods exported had neutralized its effects. But one consequence of the steady prosperity of the colonies in 1860-90, a generation during which children grew to middle age without personal experience of economic depression, was to raise the expectations and demands of organized labour to heights hitherto undreamed of. And with crisis, those who had had to meet the demands of labour—the great pastoral, mining, and maritime employers notably—mustered in a firm resistance. One effect of the outcome was the establishment of a new system of industrial relations in Australia and New Zealand.

## CHAPTER VI

### LABOUR RELATIONS, 1860-1912

- i. Occupations of the People
- ii. Industrial Legislation
- iii. History of Trade Unions and Employers' Associations
- iv. The Great Strikes
- v. Industrial Conciliation and Arbitration
- vi. Strikes and Lock-outs after Federation

OF course the great expansion and diversification of commerce and industry which took place in Australia and New Zealand in the last third of the nineteenth century, involved radical changes in the occupational distribution of the people, in the distribution of the national income, and in the relations in general between those who capitalized the expansion, or their representatives, and those who provided the necessary labour. One of the principal representatives or agents of capital in each colony was the government, and in all cases the government, as the employer of a large labour force, found itself as time passed and crisis came, compelled to assume a special responsibility to the overseas bondholder. This emergency involved the state in participation in the definition of labour relations to an extent greater than was the lot of governments of countries in which private and not public enterprise had been chiefly instrumental in providing the facilities for economic advance. Now, an upshot of the separation of the people into self-conscious economic classes, a separation which was incidental to the experience of becoming a community, was a struggle between employers and employed. The questions at issue were, broadly, whether the organized workers were to have a share in the control of industry, and secondly, whether they were thereby to share in determining what should be their portion of the product of industry. Trade union development from the 'fifties, but especially from the 'seventies, and in reply, the anti-union combination of employers throughout Australia and New Zealand, especially from the 'eighties, were preliminary to a general trial of strength, between labour and capital in the key industries, in 1890-4. This was a class war, and it was recognized as such by the participants. The pastoral, mine and transport workers, using the weapon of the strike by means of their unions, opposed themselves, or were forced to try

themselves, against the pastoralists and the mining and shipping companies using the weapons of the lock-out, non-union labour, and, above all, the weapon of the coercive machinery of the state. The intercolonial unity achieved by the employers' organizations was a much better tempered weapon than the trade unions' hurriedly arranged and imperfect Australasian organization; it will be found that the employers were able to dictate the place and time for a series of campaigns by which the trade union organization was battered piece by piece—first, in 1890, the seamen, wharf labourers, coal miners, and the pastoral workers of the south-eastern colonies; then, in 1891 and 1894 the bushworkers of Queensland and New South Wales, in 1892, the workers in the great new silver and base metal mines at Broken Hill. But superior as the employers' campaign direction appears to have been, that superiority was not in itself the decisive factor. The decisive factor was the participation of governments. No colonial government in Australasia, in these critical years, ever supported a strike of workers, but lock-outs by employers were supported. Moreover, extraordinary weapons were disinterred from the arsenals of old oppression, to use against the unions, and the courts inflicted heavy sentences on unionists upon the doubtful authority of obsolete statutes. From the more modern arsenals, quickfiring were run out to intimidate men who had not used or threatened violence. The evidence of such occurrences will be given in its place. At present, in a general conspectus, it is necessary only to note that governments, with their responsibilities to bondholders, were at this time not less prone than companies, with their responsibility to shareholders, to use every means to break militant trade unionism, which had but the germ of a social philosophy of revolution, but which fought consciously for a larger share in the control of industry and which for a brief season, in the shearing sheds and mines, appeared to have achieved it.

When the great strikes were over, and 'here was no longer any doubt as to whether capital could maintain the right to control industry without reference to labour, a *modus vivendi* had to be found, by which the beaten unionists could be induced to accept their lowly status. The system resolved upon by the responsible governments of the colonies was the compulsory conciliation and arbitration of industrial disputes, and it was within this system, during the 'nineties and the early years of the twentieth century, that Australian and New Zealand trade unionism was reorganized on a reconstructed basis, legal and political preoccupations displaced 'industrial' or 'direct' action in primacy in trade union affairs. The systematic intervention of the state in industrial disputes, and therefore in the control of industry, reached a climax in 1907,

when the new Commonwealth Court of Conciliation and Arbitration laid down a principle of minimum wage fixation. The effect of Mr. Justice Higgins's 'Harvester' judgment, adumbrating the principle of a 'fair and reasonable' minimum wage, was virtually to fix the real wage of the Australian worker at a figure which could scarcely be improved (except by reduction of standard hours: 1927, 1947) or depreciated (except by court decisions like that of 1931, reducing real wages by 10 per cent), so long as the machinery of compulsory arbitration should endure in the country. Nevertheless the state, by its arbitration system, did not gather into its jurisdiction by any means the whole field of labour relations. There were no more general strikes of pastoral workers, but from 1907 the other two large organized groups of workers in key industries, the miners and the transport workers, waged war with their employers, public and private. For a whole generation, the mineworkers' organization pursued a policy of direct action, old style, and of aloofness from arbitration tribunals. Great sections of transport workers, especially the seamen and waterside workers, who were in private employment, used a policy of direct action, and repudiated arbitration, until and even after the Commonwealth government set up under Crimes and Transport Workers Acts special machinery to control them in their employment.

It is clear, then, that the expedient of compulsory arbitration—compulsory conciliation, a contradiction in terms, was seldom effective—did not revolutionize labour relations, though undoubtedly it brought about considerable modifications in the character and policies of trade unions, and though this 'new province for law and order,' set up in Australia and New Zealand, imparted a special colour to such further experiments in the control of credit, and the re-distribution of wealth, as were made in Australia. Land, labour and capital as factors of production, were all fields for the experiment of re-distribution by Labour governments after the defeat of labour industrial organization in the class war of the 'nineties. Nothing that was done, including at the last phase, the establishment of the Commonwealth Bank in 1912, affected vitally the decision which had been reached by 1894. The historian will probably make his choice of 1894, 1907, or 1912, as the date by which the respective functions and powers of capital and labour were decided in Australia within the economic structure which had been built for the most part in the generation before 1890.

#### i. *Occupations of the People*

The tables of the occupations of the people, as made up from the returns of the various censuses held by the several colonies, are

not such as to give a basis for much study of changes in occupational emphasis before 1891. From that date, however, it is practicable to make comparisons which cast some light on the results of the economic development which went on. It should be kept in mind, in considering the table below in this regard, that we are dealing with about three million population in 1891, three and three-quarter million in 1901, and four and a half million in 1911. The proportion who were breadwinners remained at about 42.44 per cent throughout.

The groups of occupations on which attention is to be concentrated, in the course of a general survey, are the commercial, transport and communication, industrial and primary groups. These include about 80 per cent of breadwinners at each date. (There

#### OCCUPATIONS OF THE PEOPLE OF AUSTRALIA IN 1891, 1901, 1911

—	1891	1901	1911
Total Breadwinners	1,365,893	1,648,510	2,004,130
	%	%	%
Professional	6.2	6.8	7.3
Domestic	11.6	12.2	10.1
Commercial	12.2	13.6	14.5
Transport and Communication	6.8	7.1	8
Industrial	30.7	26.1	28.4
Primary	30.7	32.5	30.4
Independent	1.7	1.4	1.3

was to be a considerable falling off of primary producers at the next, 1921, census, but the appreciation of the other three groups restored the total of the four to precisely the 1911 percentage of total breadwinners, 81.3 per cent.) It will be noticed that a steady appreciation of both the commercial and the transport and communication groups appears to have gone on between 1891 and 1911. The industrial proportion fell off remarkably between 1891 and 1901, and recovered half its loss between 1901 and 1911. On the other hand the primary industrial group gained between 1891 and 1901 to about half the extent to which the secondary industrial group lost over the same period, and between 1901 and 1911 lost nearly as large a proportion of total breadwinners as secondary industry gained. The general picture, then, appears to be one of the consistent expansion of employment in business and services, during the twenty years, while secondary industry was relatively less important in the field of employment, and primary industry more important, in 1901 than in 1891, the converse being the case in 1911 as compared with 1901.

This result is not surprising as a reflection of depressed years before 1900 when the volume of employment in secondary industry contracted and numbers returned to the land, from which sometimes a peasant livelihood could be scratched. When we turn from classes to grades of occupation—that is when, instead of distinguishing breadwinners according to their sphere of industry we distinguish between them according as they are employers, working on their own account, wage earners, etc.—we cannot, for lack of satisfactory statistics for 1891, test a complete (Australian) set of comparative figures for the same phenomenon. In the statistics that are available for most of the Australian population (in New South Wales and Victoria) at the three census dates, 1891, 1901 and 1911, however, we find some evidence of the varying effect of economic depression as it was felt by the markedly different economies of the two principal Australian communities. The distribution of females through the various grades of occupation gives the clearest indications of a process of displacement of male by female workers in the decade of depression.

FEMALES (GRADES OF OCCUPATION)  
(Percentage of all Females)

—	Employers	Working on own account	Assisting but unpaid	Employed for wages	Unemployed
N S W —					
1891	51	2 74	1 46	10 65	56
1901	77	2 61	94	11 22	57
1911	74	1 66	63	12 97	34
Victoria—					
1891	57	2 94	1 09	13 48	6
1901	84	3 44	5 04	14 09	46
1911	1 18	1 9	47	15 93	46

The differential variations here, as between the two states, tend to bear out the observation of contemporary authorities<sup>1</sup> that free trade New South Wales had not developed, to the extent protectionist Victoria had, industries that relied largely on (cheap) female labour. Thus the percentage of females working on their own account (including home workers), always lower in New South Wales than in Victoria, decreased at each successive census, whereas the percentage in Victoria was substantially higher, after the pinch of the hungry 'nineties, than it had been when the boom was about to collapse. More Victorian women went out to perform

<sup>1</sup> cf. (1902) W. P. Reeves's *State Experiments in Australia and New Zealand* ii p. 17 and (1907/08) Ernest Aves, commissioner of the British Home Office (*Cmd* 4167 pp. 110-111). Aves found that in 1906 there were about 2,500 more male industrial workers in New South Wales than in Victoria but 9,000 fewer female industrial workers.

to earn a livelihood, using what salable craft they had. Similarly, while in New South Wales there was over the twenty years a steady decrease of the number of females assisting, but not paid wages, in Victoria the percentage in this class was almost quintuple, in 1901, what it had been in days of prosperity, though the fall in 1911 from the 1891 level was comparable with the fall in New South Wales. But these sets of figures reflect the greater severity with which the depression attacked Victoria, and it is above all the figures of female wage-earners that show the relatively greater dependence which Victorian manufacturing industry placed on female labour. At all dates, the percentage of New South Wales females working for wages was less than the percentage of Victorian females similarly employed—about 3 per cent less at each census. A large proportion of these wage-earning females earned a living in manufacturing industry in Victoria—7.1 per cent of all Victorian females in 1911, compared with 4.6 per cent in New South Wales and between 2.8 and 4.2 per cent in the other states. And the proportion of Victorian females classified as dependent was, significantly, lower than the proportion of female dependants in any other state.

#### ii. *Industrial Legislation*

There were workers' protection measures enacted by colonial parliaments before the great extension of trade union organization and influence, made during the 'eighties, culminated in a series of stoppages early in the 'nineties—that is, before all colonies adopted industrial arbitration or wages board systems, workmen's compensation measures, and measures for the regulation of conditions in shops and factories. But the body of such legislation was inconsiderable, and it affected only the three colonies which economically were most advanced, New South Wales, Victoria and New Zealand. Certainly, legislation affecting the relations of employers and employees was of quite long standing, dating from the New South Wales Masters and Servants Act of 1828. But the primary object of all such measures was coercion of the employee, they were, Alexander Harris recorded in the 'forties, 'statutes under which the benches of New South Wales develop the most surprising conceptions of law and equity.'<sup>2</sup> The case in point which Harris quoted was that of a shoemaker who was one of a number of immigrants imported into New South Wales by a member of an English firm of merchants to work on his colonial estate. The shoemaker disobeyed the farm superintendent's order to cut grass on a Sunday. The superintendent prosecuted under the Masters and Servants Act and a bench of justices 'every member of whom

was (the superintendent's) intimate acquaintance,' imposed on the shoemaker a sentence of six months' imprisonment.

Coercion of employers, to provide for the well-being of their employees, was unknown to colonial statute books until the rise of workers' combination in the first Australian industry to be unionized, the coal industry. The (New South Wales) Coal Fields Regulation Acts of 1855 and 1862, enacted after miners' strikes, were the forerunners of many acts governing industrial conditions. But few such acts were passed before 1890, although some of the principles which were at length adopted had been secured long before by strikes or agreement in some industries. For example the Victorian building trades obtained the eight-hour working day as early as 1856 (*vide* *iii*). Until the 'eighties in Victoria, and in the rest of Australasia until the 'nineties, legislation for workers' protection made no advance on the Factories Acts which were adopted in Victoria and New Zealand in 1873.<sup>3</sup> A further step was taken in Victoria when on 24 January 1882, a Factories and Shops Commission was appointed 'to inquire into the alleged evils arising from the protracted hours of labour of employees in connection with retail shops and trading establishments.'<sup>4</sup> This body conferred in February with the Melbourne Chamber of Manufactures and in July with trade union representatives, both groups acceding to a recommendation which was ultimately adopted in the commission's report, urging the constitution in Victoria of *conseils de prud'hommes*<sup>5</sup> on the French model. However, the practical sequel of the two reports which the commission presented in 1884 was the Factories and Shops Act 1885, which improved the provisions of the 1873 pioneer act in respect of working conditions in factories, though it did nothing to regulate the giving out of work or the 'sweating' of non-factory workers, the practice which, exposed in the *Age* newspaper, had led to the appointment of the 1882 commission. In the year before the appointment of that

<sup>3</sup> The N.Z. Employment of Females Act, 37 Vict., No. 71, was passed (2 October 1873) just before the Victorian Workrooms and Factories Statute, 37 Vict., No. 466 (11 November 1873), and was somewhat more generous in its terms. The Victorian act defined a factory or workroom as a factory or workroom in which ten persons or more were employed, prescribed an 8-hour day for females (by Clause 3, revocable by the Chief Secretary under Clause 5 'to meet the exigencies of trade' in specified factories), empowered the inspection of factories by central or local health authorities, and imposed a penalty of £20 enforceable by magistrates on 'any employer of females' offending against its provisions. The New Zealand act declared an 8-hour day and prohibited night-work absolutely for females, prescribed for females a Saturday half-holiday and Sunday and public holidays without loss of pay, required every workroom to be properly ventilated, and provided for inspection of workrooms. The penalty prescribed was £50.

<sup>4</sup> *vide* Victorian *Parliamentary Papers*, 1884, N.S.W. Royal Commission on Strikes, 1891, Report, pp. 78-79, *Command Paper* 4167.

<sup>5</sup> The *conseils de prud'hommes*, the germ of the system of conciliation and arbitration tribunals for industry, had their origin in a Napoleonic decree of 1806, setting up industrial committees in France to deal with disputes. A *conseil* would be established in a town after the request of the local Chamber of Commerce or Manufactures to the Government. From 1853, employers and employees separately elected their own representatives to the *conseils*. The Victorian Commission found that in France in 1878 the *conseils* had disposed of 35,046 disputes, 71 per cent of them in private.

commission a Trade Union Act had been passed, in New South Wales. Its provisions did not regulate working conditions, but they are of the utmost importance in this context, as having upheld (45 Vict., No. 12, Section 2) the right of workers to combine to regulate their own working conditions.<sup>6</sup> In 1891 the Workmen's Compensation Laws Declaration Act of the New South Wales parliament repealed the conspiracy clauses, as applying to New South Wales, in the English act of 1825, 6 Geo. IV, cap. 129, under which men had in recent months been punished in Queensland.<sup>7</sup>

Just before the arbitration era opened in the colonies, Sir Samuel Griffith, when in opposition in 1890, introduced into the Queensland Legislative Assembly what may stand as the most conspicuous oddity among Australian bills. At this time when the ideas of Karl Marx were for the first time<sup>8</sup> agitating sections of the Australian working class, and those of Henry George sections of the middle and working classes, Griffith, a disciple of Henry George, brought down (22 July 1890) his 'Bill to Declare the Natural Law Relating to the Acquisition and Ownership of Private Property.' The bill, consisting entirely of 'Definitions' and 'First Principles,' had about it a remarkable aroma of the eighteenth century United States constitution or the *Déclaration des droits de l'homme*, together with some of the fragrance of nineteenth century schemes of profit-sharing and co-operation in industry. Thus its First Principle 14 declared, 'All persons are, by natural law, equally entitled to the right to life, and to the right of freedom for the exercise of their faculties, and no person has, by natural law, any right superior to the right of any other person in this respect.' This bill was accompanied by a second, which was 'to make provision for giving effect to the rules and principles' declared by the first, the Elementary Property Law of Queensland. This machinery measure, to be the Division of Profits Act if Griffith should have his way, laid down that 'those persons whose contributions (to production) are in the form of labour are to be taken to contribute a value equal to the amount of their reasonable wages.' But after Griffith reached office a little later he 'found no opportunity of going on with it.'<sup>9</sup> The project retains interest, however, if only for its symbolizing

6 Section 2 of the 1881 act reads 'The purposes of any Trade Union shall not by reason merely that they are in restraint of trade be deemed to be unlawful so as to render any member of such Trade Union liable to criminal prosecution for conspiracy or otherwise.' South Australia was the first of the colonies to give legal form (1876) to trade union organizations, after the English act of 1871.

7 *vide, e.g. Queensland Law Journal*, vol. iv, 1892, pp. 137-145

8 Little is known of a Melbourne organization, apparently connected with the International Workingmen's Association (the *First International* of Karl Marx), which existed for a time in the 1870's.

9 *vide* N.S.W. Commission on Strikes, 1891, *Min. Ev.*, pp. 272-280, and *Appendix*, pp. 65-66, *Worker*, Brisbane, vol. 1, no. 1, 1 March 1890 for the trade union comment on 'Griffith, who has since come out as a champion of the workers in an impossible profit-sharing scheme—for the courage involved and feeling shown in advocating which, let us give him all credit.'

of the middle-class spirit in Australia in the period—before the trade unions and employers' associations fought out the basic questions—when 'everyone was reading collectivist tracts and listening to altruistic sermons.'<sup>10</sup>

### iii. *History of Trade Unions and Employers' Associations*

Up to the large scale development of heavy industry from 1914, and hence of a formidable organization of employers and workers in the steel and engineering trades, the combination of employers and workers was carried furthest in the transport services and in the mining and pastoral industries. However, working engineers were organized very early, it was in the building trades that effective trade union organization achieved its first conspicuous successes, and it was the 'sweating' of retail shop assistants and clothing workers which provoked much colonial social legislation from the 'eighties. It is convenient, therefore, to trace the general line of development of trade unionism and employers' combination in Australia and New Zealand through separate treatments of these phenomena as they appear in (1) the mining industry, (2) the building trades, (3) transport services, (4) clothing and miscellaneous trades, (5) engineering, etc., and (6) the pastoral industry, where the growth of combination was latest and fastest, and led directly to the general struggle between employers and workers, both groups organized intercolonially, in the 'nineties.

(1) *The Mining Industry*.—Although there is something to be said for the view<sup>11</sup> that the Eureka rising was 'the induct cause of the formation of the largest labour organization in the colonies,' namely the Amalgamated Miners' Association, the fact is that of the two elements which afterwards made up the strength of the A.M.A. it was the coal miners, and not the gold miners, who were first to organize themselves in a trade union. This was in 1854, the year of Eureka, nearly thirty years later this early union, the Hunter River Coal Miners' Protective Association (registered in 1882 as the Coal Miners' Mutual Protection Association<sup>12</sup>), became No. 2 (Newcastle) branch of the A.M.A., No. 1 (Victoria) branch having been built during the previous dozen years from twelve local associations of Victorian gold miners. Long before this fusion, however, the coal miners of New South Wales, who were very

10. *State Experiments in Australia and New Zealand*, by William Pember Reeves, I, p. 75, London, Grant Richards, 1902.

11. Expressed in *The History of Capital and Labour*, etc., by various authors, p. 131, Sydney and Melbourne, Oceanic Publishing Co., 1888.

12. Under the N.S.W. Trade Union Act 1881 vide 'Trade Unions, Their Origin, Development and Present Position,' by H. Tennent Donaldson, *Sydney Quarterly Magazine*, September 1889, p. 273.

much fewer in number than were the Victorian gold miners, had built up a number of trade unions more or less on the model of the Hunter River Miners' Association. The history of the A M A takes its rise from two nuclei, but there is a consistency of development from the first of these, at Newcastle, to the modern Miners' Federation, or Australian Coal and Shale Employees' Union, or Workers' Industrial Union of Australia (its titles varying according to the context of its activities). With this development the name of James Fletcher is conspicuously associated. J T Sutcliffe in his *History of Trade Unionism in Australia*,<sup>13</sup> traces the formation of the union to a stop work meeting of Newcastle district miners in February 1861, and Gregson in *The Australian Agricultural Company 1824 1875*<sup>14</sup> mentions Fletcher as then leader at that time, but after Fletcher's death in 1891 the *Daily Telegraph*, Sydney, gave an obituary notice<sup>15</sup> which, in view of Fletcher's high status in the colony then, is probably accurate, and which gives both him and his union an origin earlier than 1861. He is said to have been born in East Lothian, Scotland, in 1834 and to have come to Australia in 1852. He was a miner in the A A Co's Newcastle colliery, and is described in 1854 'chairman of the Miners' Association'. He obtained the institution at the A A pits of a sick and accident fund, the first in the colony, and to his lobbying are attributed the early measures for the regulation of coal mines, Australia's first legislation for the protection of workers in their employment. It was however, as a union organizer and strike leader that he first made his mark. The increase of costs consequent upon the gold discoveries at the beginning of the fifties was the background of his activities. Coal prices rose from 6s 6d per ton in 1850 to 20s 2d in 1854 the year of the foundation of the union, while the cost of coalgetting rose from 3s 6d per ton to 16s 5d. Newcastle miners were earning £1 or more per day. In May 1854 the miners struck for an advance of the hewing rate from 6s to 8s per ton. The strike lasted for three weeks, and though Captain Brownrigg, the A A Co superintendent, imported newly arrived colliers from Melbourne as strikebreakers—the first recorded instance of an owners' method which was used in coal strikes and lock outs for nearly a century afterwards—the company had to concede hewing rates of up to 8s per ton.

<sup>13</sup> p. 22. Melbourne: Macmillan, 1921. According to the N.S.W. Royal Commission on Strikes 1891 *Literary Appendix* pp. 133 *et seq.* the union was established prior to 1860.

<sup>14</sup> p. 237. Sydney: Angus & Robertson, 1907.

<sup>15</sup> 20 March 1891. According to the *Newcastle Morning Herald* (22 April 1924) the miners' union (which has grown to be the strongest industrial organization in Australia) was formed at a meeting (date unspecified) over which Fletcher presided 'in a paddock on the Borehole Colliery'.

for a stint of 20 tons.<sup>16</sup> Fletcher led the A.A. men out again on 1 May 1855, ostensibly to demand free tools and oil for their lamps, but actually in protest against abuses of the contract system, by which foremen could control men's earnings by discrimination in placing them at the coal face. The strike was broken after two and a half months, and the hewing rate reduced. The maintenance of high prices encouraged competition in the coal industry, and by 1860 the old A.A. Co. was raising only a third of the New South Wales coal output. 'In 1860 and the following year,' recorded Gregson, who as chairman of the Associated Coal Owners' Association was to outlive Fletcher, 'the miners were the cause of much anxiety. They had been temporarily appeased by concessions of higher rates of pay, but unionism was beginning to exercise its influence.'<sup>17</sup> An agitation for improved working conditions and a recognized wage was raised in 1861, the year before the Coal Fields Regulation Act, but now the A.A. Co. was not alone in the field, and for more effective resistance to the men's demands four companies on the field formed the first employers' combination in Australian history (if the loose 'conferences' of employers in certain trades in Victoria in the 'fifties be excepted). The Wallsend Coal Company, the Coal and Copper Company, the A.A. Co., and J. & A. Brown (whose Minmi collieries Fletcher was conducting as manager a little later)<sup>18</sup> combined to give 14 days' notice of a 20 per cent reduction of wages, the notice to expire on 16 August. The miners 'refused to go to work'<sup>19</sup> on the 17th, and stayed out until 14 October. The combined owners decided to bring strikebreakers from Melbourne, but one company broke away to make terms with the men and the owners' combination was destroyed. The New South Wales census of 1861 shows only 979 coal miners in the colony, so that they appear to have developed early a high form of organization. In the succeeding years, after the A.A. Co. had broken a wages strike in April-May 1862 with immigrants from Melbourne, the owners sought to build up another combination. The seven companies in existence in 1866 formed a Coal Trade Association in that year, on an agreement to raise prices to 9s. 3d. per ton—prices had fallen steadily from up to 15s. 8d. per ton, f.o.b. Newcastle, in 1858—but in September next year the Waratah Co. withdrew from the association. The remaining six attempted a fresh agreement, but the association broke up in August 1868. In the meantime the miners, defeated in the 1861 strike, had

<sup>16</sup> Gregson, *op. cit.*, pp. 154-155.

<sup>17</sup> *Ibid.*, p. 232. Gregson gives an account of the 1855 strike on pp. 155-156, and it is described also in the *Illustrated Sydney News*, 30 June 1855, p. 351.

<sup>18</sup> *Sydney Daily Telegraph*, 20 March 1891. The other facts are from Gregson, *op. cit.* p. 237.

<sup>19</sup> Gregson, *op. cit.*, p. 237.

started a Co operative Colliery Fletcher was connected with this enterprise But the men could not find sufficient capital, and within a few years the colliery,' as a commodore wrote,<sup>20</sup> 'became the property of the man who had advanced the money' The miners sold to Laidley, Ireland & Co, and the colliery became one of the most important on the northern fields

A price war followed the collapse of the Coal Trade Association, and in July 1872, the miners took advantage of the situation to demand an increase of 6d per ton in the hewing rate, they won a two weeks' strike They struck again, this time for reduction of hours, on 2 January 1873 they went back to work on 10 February with their hours reduced from 12 to 10½ per day and with a promise (which was honoured) of a 10 hour day from 1 January 1874 These changes forced an increase of the price of coal for sale, and in 1874 five of the six companies operating adopted for the first time the vend system by which an agreed proportion of the total trade was allotted to each member colliery The Coal Vend was a combination for 'mutual support and protection in dealing with the miners'<sup>21</sup>

The next phase of labour relations on the coal fields opened with the great increase of coal production in the eighties, to meet the rising demands of the railways and steamships, smelters and factories Fletcher was returned to the New South Wales Legislative Assembly (as a Protectionist) for the industrial constituency of Newcastle in 1880, retaining his seat, as he did his connection with the Co operative Co until his death He was Minister for Mines for a short time during the Jennings government's term in 1886 and in 1889 was Minister for Works in the short lived second Dibbs government One of the last acts of his life was to advocate the Coal Mines Regulation Bill of 1890 During the 'eighties, as new seams were opened in the south and west coal districts, trade unionism spread among the miners A Coal Miners' Mutual Protective Association of the Western District was founded in 1886 with 350 members,<sup>22</sup> and in 1889 the Lithgow Miners' Union, its apparent successor, had 450 members In the southern fields, by this time, the Illawarra Miners' Union had

20 J S Goodenough (Commodore Australian station Royal Navy 1873-5) *Journal* pp 257-258 *vide* for the facts article 'Our Northern Coalfields' by H H W H (untington) in *Sydney Quarterly Magazine* September 1889 p 256 *et seq* *Sydney Daily Telegraph* 20 March 1891 *vide* also in historical note in the *Newcastle Morning Herald* 22 April 1924 in which it is stated that by agreement of 25 November 1861 between Fletcher and 14 others 1200 acres situated between the premises of the Wallsend Company and those of J and A Brown was leased for a Co operative colliery The *Newcastle Pilot* of 7 February 1868 refers to the difficulties which the colliery was experiencing William Laidlaw took over the mine in 1869 John Fletcher remaining as manager ultimately to be succeeded in the post by his son James

21 Gregson *op cit* p 271 *et vide* Sutcliffe *op cit* p 23 He says the 1873 affair was a lock out not a strike

22 NSW 1891 Strikes Commission *Literary Appendix*.

3,000 members, and in the north the Newcastle Miners' Union had 7,000.<sup>23</sup> The industry was by this time thoroughly unionized, and the non-unionist miner was scarcely known on any New South Wales field. The Newcastle miners maintained a thirteen weeks' strike in 1888, two significant sequels being an alteration of its contract forms by the Australian Gas Light Company at Sydney, to relieve itself from the obligation of providing gas during a coal strike, and the completion of an agreement between the 'Miners Association of the Hunter River District' on the one hand, and on the other the A A, Newcastle-Wallsend, Scottish Australian, Newcastle Coal Mining, Feindale, Burwood, Stockton and Helton collieries, the New Lambton colliery, and William Laidley and J & A Brown—the Associated Masters'. The agreement provided for the regulation of wages by the rise and fall of coal prices, and for the settlement of disputes by a referee to be appointed by the Chief Judge in Equity.<sup>24</sup> The subsequent history of owners and miners organization on the coalfields belongs to the story of the great strike (*vide* ix), but at this point we may refer briefly, first to the Eureka rising of 1854, then to the growth of trade unionism among gold and silver miners, issuing in the Amalgamated Miners Association of Australasia including the coal miners.

Before the building trades successfully organized the brief campaign by which they obtained an eight hour working day, in 1856 the workers in what was for the nonce the chief Victorian industry—the gold miners on the principal field, Ballarat—had already obtained, not by industrial organization and industrial methods, but by political organization and the method of rebellion, an assurance that the new constitution of Victoria would be that of a democratic community. They had at the same time and in the same way taken steps which led to the abolition of the particularly grievous form of discriminatory taxation to which they were subject under the Goldfields' Commissioners' licensing system. On 11 November 1854, just more than three weeks before the Southern Cross flag was raised above the Eureka Stockade, the Ballarat Reform League, formed on Bakery Hill by a mass meeting of diggers, made the sixteen year old Chartist demands, of the governor and squatting oligarchy that ruled the colony of Victoria—manhood suffrage, abolition of the property qualification for members of parliament, payment of members, frequent parliaments, equitable parliamentary representation—and, a colonial addition, abolition of diggers' and store keepers' licences. All of these things, and vote by ballot, were achieved in Victoria within a few years. The intransigence of the

<sup>23</sup> *Sydney Quarterly Magazine* September 1889 cit. by Donaldson *cit. supra* p. 273

<sup>24</sup> *vide* for the agreement *Appendix A* 1891 Royal Commission Report

Victorian governor, Sir Charles Hotham, and his council, provoked an immediate issue of the diggers' claims in the Eureka rising of 3 December 1854. A number of members or friends of the Reform League were killed when at dawn on Sunday, 3 December, 100 mounted troops and police, and 176 foot soldiers and police, stormed a stockade of logs, enclosing about an acre of ground, which had been erected after receipt of news that troops had been despatched from Melbourne to Ballarat. There were perhaps 200 men, half of whom had no firearms, in the stockade at the time of the assault, five soldiers were killed, and the dead diggers included ten Irishmen, two Englishmen, two Scots, two Canadians, two Germans, and an Australian. In February 1855, a number of diggers who had been charged with high treason were acquitted, the report of a Royal Commission appointed four days after the Eureka affray led to several of the reforms which the Reform League had advocated.

The first of the gold miners to organize themselves in a trade union, after the transition from independent to company mining in the great Victorian fields, were Bendigo men. Their Bendigo Miners' Association, formed in February 1872,<sup>25</sup> and successful in winning the eight-hour working day in the same year, was the nucleus of the A.M.A., inasmuch as the Victorian miners' union which became the A.M.A., and which drew the miners of all colonies into its organization, grew up about it. Unions similar to that on the Bendigo field were organized on the Stawell, Clunes and other fields, and in June 1874 a conference of twelve of these local groups was held at Bendigo, with Robert Clark, M.L.A., as chairman. He was elected president of the Amalgamated Miners' Association of Victoria which was formed by the conference, and J. H. Taylor, of Clunes, was elected secretary. W. G. Spence, who was to organize the miners and the shearers of Australasia in two great combinations within a very few years, and who ultimately became a conservative member of the Commonwealth parliament, was elected secretary of the A.M.A. in 1882. This was the date of the beginning of intercolonial trade union organization. Spence, who as general secretary of the A.M.A. and president of the Amalgamated Shearers' Union gave 40,000 words of evidence before the New South Wales Commission on Strikes in 1890-1, said<sup>26</sup> at the beginning of 1891 that he had been connected with one branch (Creswick) of the A.M.A. for thirteen years. In the late 'seventies, the total A.M.A. membership was no more than 200 or 300 members, but ten years later it reckoned its members in tens of thousands, and there were branches as far afield as

<sup>25</sup> *The History of Capital and Labour*, pp. 133-134.

<sup>26</sup> 1891 N.S.W. Strikes Commission, *Min. Ev.*, pp. 48 *et seq.*

Tasmania, New Zealand and Western Australia. In eighteen years' history of this great union up to 1891, it had conducted twenty-nine strikes and fought eight lock-outs. In those eighteen years it had spent more than £100,000 from its funds, 70 per cent of the whole going to accident and sick relief payments. The Newcastle coal miners affiliated in September 1885, and the other New South Wales coal miners were also absorbed, only Newcastle being 'independent in their government.'

It is of curious interest that the greater body, the A.M.A., which like the lesser, the Newcastle miners' union, was an organization favouring direct action and the strike, should, like it again, have been at an early stage a party to a round table technique for the settlement of disputes. Two years before the Newcastle agreement, which would be quoted as a model of conciliation and arbitration during the deliberations of the strikes commission of 1890-1, the A.M.A. in Victoria had reached an agreement with the Mine-owners' Association which its activities had brought into being, to discuss difficulties in a joint committee of seven representatives of the union and seven of the employers. The readiness of the owners to recognize the competence of the union to act for its members may be attributed in part to the fact that of the 29 A.M.A. strikes to 1891, apart from the great strike, all but one had been victories for the men. (All but one, too, had been goldmine disputes. And probably the reason for the defeat of the union in the Kaitangata, New Zealand, strike, the only one lost, in 1887, was the distance of the scene of struggle from the miners' headquarters at Creswick, Victoria.<sup>27</sup>) And only £6,614. 8s. 2d., out of the union's £100,630. 6s. 5d. total expenditure for the eighteen years, had been spent on strikes. Of this sum £2,140 had gone to the Kaitangata strikers in strike rations during the six months' stoppage which preceded their defeat.

By the mid-eighties, then, the amalgamation of the gold miners' and coal miners' organizations in several colonies had achieved an intercolonial industrial union with a five-figure<sup>28</sup> membership. There remained outside the A.M.A. the rapidly increasing labour force in the silver-lead mines at Broken Hill. The Barrier field had not been worked long by the embryo B.H.P. Co., before the miners there had joined the unionized majority. A miners' meeting was held at Silverton on 27 September 1884, to form a Barrier Ranges Miners' Association, and on 13 January 1886, soon after

<sup>27</sup> Evidence of W G Spence, NSW Strikes Commission, 1890-91, *Min. Ev.*, p 48

<sup>28</sup> A speaker at the inaugural meeting of the Barrier Ranges Miners' Association said that 'the Victorian Miners' Association' had 23,000 members (*Silver Age* newspaper, Broken Hill, 27 September 1884), but, according to *The History of Capital and Labour*, p 134, the A.M.A., in Victoria and the N.S.W. northern coalfields, about 1885 had 13,000 members.

the promotion of the BIIP Co, the provisional committee of a Silverton branch of the AMA was elected. They had obtained a standard rate of wages, 10s per shift of 8 hours for miners, and 8s 4d for surface men, plat men and truckers, before the month was out, by April the branch had 400 members, and in October the branch secretary had a 'personal encounter' with the underground manager for BHP. Next month they struck a levy of their members for funds to assist AMA members on strike at Buninyong, Victoria—and the Barrier was definitely one with the Australasian labour organization of which it would so often in the future be the spearhead.<sup>29</sup> A strike had been fought and won, and the AMA thoroughly organized in the new mining centre, when on 29 August 1890, a Barrier Ranges United Trades and Labour Council, made up of representatives of many unions, held its first meeting at Broken Hill. This was an instance of another kind of workers combination, one of four forms which labour organization took—(1) the organization of workers of a single trade, in a town or district, (2) the organization of workers in a single industry in a limited area (e.g., the Queensland Labourers' Union), (3) the intercolonial organization of workers in a single industry or related industries (e.g., the Amalgamated Shearers' Union or the Amalgamated Miners' Association of Australasia), and (4) the co-ordination in a central town or district council of the policies of various trade unions (e.g., the New South Wales Trades and Labour Council, established in 1871, and the Barrier Ranges Council). A fifth kind of labour organization, which so far was of an occasional kind, had been manifested much earlier. This was the organization of a group of trades in a single centre, to adopt an attitude, or to take action, upon a matter felt to be of common concern.

## (2) *The Building Trades—*

*Eight hours to work, eight hours to play,  
Eight hours to sleep, and eight bob a day*

The Operative Masons Society, founded in Melbourne on 16 November 1850, with twenty five members, is described by Murphy<sup>30</sup> as 'the precursor of all the labour organizations of Australasia' and

<sup>29</sup> *vide* various issues of the *Silver Age* between 27 September 1884 and 24 November 1886 especially 13 January 1886 16 January 1886 3 April 1886 and 20 October 1886

<sup>30</sup> *History of the Eight Hours Movement* by W. E. Murphy p. 26 Melbourne Spectator 1896 2 vols. Murphy was a secretary of the Melbourne Trades Hall Council and of the Eight Hours Anniversary Committee of Victoria. His strangely written book—for example a drought is to him (p. 32) Nature's arbitrary refusal for a considerable period to supply the pluvial necessities indispensable to animal and vegetable life—is nevertheless a mine of accurate information.

as holding 'the primary place of honour in the establishment of the Eight Hours' system in Victoria,' above all as being 'the parent of the Trades Unions of Australasia'. In a sense this appears to be true, but the distraction of the gold discoveries, which were made within a very few months of the initial meeting of this stonemasons society, put an end for the time being to Victorian trade unionism, and it was not until 1855 (in New South Wales) and 1856 (in Victoria) that the union was revived. Then, however, it sprang to life as an organization devoted to winning the beatific conditions defined by the doggerel which appears above. But not the stonemasons alone achieved the eight hour working day. On 1 March 1856, soon after the reformation of the mason's society, the Society of Operative Plasterers was formed, and almost forthwith, like the masons, it demanded the eight hours day. On 16 April the Melbourne Progressive Society of Carpenters and Joiners<sup>31</sup> was formed, again to advocate the eight hours day, and again under Chartist influence—James Stephens, a mason of Newport in Monmouthshire who had heard Henry Vincent the Chartist, and had taken part in the Newport 'rising' of 1839 and had marched in procession with the People's Charter to the House of Commons, was one of the founders of the Operative Masons' Society in Victoria, and T W Vine, the promoter of the Carpenters' Society after him, had been a Chartist. The Operative Slaters' Society was formed four days after the Carpenters' Society, and on 21 April Victorian citizens watched Australia's first eight hours procession file by, 700 or 800 unionists, led by stonemasons, from the construction gangs that were engaged on the building of the University of Melbourne. Conservative opinion was that the demand for the eight hour day, if successful, would destroy labour standards. 'Wages were recovering themselves, provisions, clothing, fuel and rent were becoming cheaper, and the working classes had a fair chance of getting on again and keeping it all to themselves,' ran a newspaper comment<sup>32</sup> on the first eight hours demonstration, 'when some stupid, mischievous blockhead—the worst enemy they ever had in this colony—set this agitation going, and the result will be that the whole fabric of their prosperity will be blown to the winds.' However, a parliamentarian, John Sinclair, M L A, was sufficiently impressed by the Chartists' union organization and eight hours agitation, to accept the presidency of an Eight Hours'

31 An Australian Society of Progressive Carpenters and Joiners is said to have originated in Sydney as early as 1842 as the Friendly Society of Carpenters and Joiners. It was reconstituted under the title first mentioned in October 1853 lapsed in 1858 and in September 1861 was reborn as the Sydney Progressive Society of Carpenters and Joiners (*The Co-operator* vol viii no 41 1917). The New South Wales Operative Plasterers Association was founded about 1857 (*ibid*).

32 *Herald* newspaper, Melbourne 22 April 1856.

Labour League, which was formed on 25 April. This organization worked in co-operation with the Land and Reform League of Victoria, the officers of which included Graham Berry, afterwards Premier, and George Higinbotham, afterwards Chief Justice.

In the meantime the Operative Stonemasons' Society in New South Wales, or rather in Sydney, had won the eight-hour day by a strike. Murphy writes<sup>33</sup> that he was unable (in 1900) 'to define with any degree of certainty the period during which New South Wales retained the shorter hours they won in 1855. . . . There does not appear to have been any further demonstration to commemorate the event until 1871.' But a trade union compilation<sup>34</sup> puts it that the Sydney Society on 22 September 1855, adopted unanimously Hugh Laundry's resolution for an eight-hour working day, and that the society's notice of this resolution to the employers ran out on 18 February next year, when a short strike was successful in carrying the point, the first eight-hours celebration in Sydney took place in 1872. It was by agreement, after conference with the employers on 26 March 1856, that the building trades unions in Melbourne obtained the concession of the eight-hour day from 21 April. The other colonies were slower to win the shorter working day, the dates being 1866 for Queensland, 1873 for South Australia, where also the building trades<sup>35</sup> were prominent in obtaining the concession by negotiation, 1890 for Tasmania and 1896 for Western Australia.<sup>36</sup>

(3) *The Transport Services*—Considering the development of militant trade unionism in Britain, the United States of America and the colonies of Australasia—these were the three principal scenes of general industrial warfare in the late nineteenth century—we find that in all cases the main constituents of the trade union forces were similar, with the single important exception that in the eastern colonies of Australia the strong aggressive organization of pastoral workers was a labour fighting force of great significance. But for the rest, in the colonies as in Britain and America, the working classes when they mobilized were represented above all by miners and transport workers, including railwaymen, wharf

<sup>33</sup> *op. cit.*, vol II, p. 14, Melbourne Picken, 1900

<sup>34</sup> *The Co-operator*, Eight Hour Souvenir Issue vol VIII, no 41, 7 October 1912.

<sup>35</sup> The building trades unions brought about the first Victorian concert of related trade unions, the Operatives' Board of Trade, which, set up on 28 August 1858, was, however, without funds or vitality and was little more than a name, it was merged into a Melbourne Trades Hall Committee, which was not comparable with the NSW Trades and Labour Council formed a dozen years later, being nothing more than a hall committee or renting body (Murphy, *op. cit.*, II, pp. 15-16, *The History of Capital and Labour*, p. 134). A Building Trades Council was established in Sydney in 1886, and registered under the Trade Union Act next year, its ten affiliated unions included the carpenters', bricklayers', masons', plasterers', plumbers', and gasfitters' organizations, etc (NSW. strikes commission, 1890-91, *Lit. Append.*, p. 142)

<sup>36</sup> Murphy, *op. cit.*, II, pp. 134-141.

labourers and seamen Other transport workers such as carters and drivers ('diaymen and trollymen,' in the 'eighties and 'nineties) were auxiliaries in the late nineteenth century struggles, and in the twentieth century tramway and omnibus employees, at least in Australia, developed a militant trade union organization In Australia the great strikes of the 'nineties were conducted by pastoral mine and transport workers (especially seamen and wharf labourers)

The Federated Seamen's Union of Australasia, the first of the powerful transport workers unions to be organized in the colonies, came into existence, in embryo, in the port of Melbourne in 1872, in Sydney in 1874 By 1876 a loose federation between Melbourne and Sydney, after the style of the gold miners' unions, had been achieved, a Queensland organization, which until 1885 was a branch of the Sydney union, became in that year the Queensland branch of the FSU of A, and the New Zealand affiliate came out with the rest in the maritime strike of 1890<sup>37</sup> Owners' combination, as usual, trod on the heels of workers' combination, and in 1878 eighteen Australian steamship companies had formed a Steamship Owners' Association of Australasia, already in the 'eighties it could be described as 'a constituent body of the Employers Union'<sup>38</sup> The Seamen's Union organized its first strike in 1878, in protest against the employment of cheap Chinese labour<sup>39</sup> on Australasian Steam Navigation Company vessels, George Dibbs (afterwards premier of New South Wales) signed as chairman of the ASN Co terms of settlement which were favourable to the men Then in 1886 a strike of seamen employed by the Northern Steamship Company of New Zealand, against wage reductions, spread to all the ports of Australasia In a letter to the owners' association in 1886,<sup>40</sup> conveying a refusal to man ships on which non union labour was being carried to break a strike of 900 Howard Smith & Co wharf labourers at Melbourne, for an eight hour day, the seamen's union used the significant sentence, 'We are compelled to take this course owing to the struggle having assumed a new phase, viz, Capital v Labour' The Federated Stewards' and Cooks' Union of Australasia, the New South Wales branch of which had been established with 500 members two years before, took a stand with the seamen, and at Newcastle the coal miners

<sup>37</sup> *vide* NSW Strikes Commission 1890-91 *Literary Appendix* pp 133 *et seq* *The History of Capital and Labour* pp 182-218 *The Co operator* viii no 41 1912

<sup>38</sup> *The History of Capital and Labour* p 182

<sup>39</sup> *vide* *Memorable Australian Events* by J Arbuckle Reid 3rd ed pp 80 *et seq* Melbourne 1885 This was published as a school reader and consists of extracts from newspapers (e.g. *Age* Melbourne 25 November 1878 on the ASN Co seamen's strike against coloured labour) It is again indicative of the Colonial spirit of the time that such a strike should have been reckoned as a memorable event of which the young ought to be reminded

<sup>40</sup> *The History of Capital and Labour*, p 188.

refused to supply coal to vessels of the offending companies. This strike was settled after a method then new to Australia. An arbitration board was agreed upon, comprising two owners' representatives, two union representatives, and an independent chairman, Professor Kernot, of the University of Melbourne. A little earlier, the situation had been of an ominous colour, 'Adelaide, Hobart and Brisbane had wired for instructions, in fact social revolution was pending'<sup>41</sup> The position may not have been so serious, however there was general relief when on 8 February 1886 'the first board of arbitration, as distinguished from a board of conciliation, which had met on a great labour question in Australia,'<sup>42</sup> returned its award, including the concession of an eight hour working day. It was upon the question of hours that the Melbourne Wharf Labourers' Union, now being supported by the seamen, had come into existence in May 1885—the wharf labourers at Melbourne having been refused time off to attend the Eight Hours procession. The Sydney Wharf Labourers' Union had been established in 1882, and six years later Newcastle followed suit. Six months after the settlement of the 1886 maritime strike Australian labour, which with the rapid development of trade union federation and with the tendency to unity strengthened by intercolonial trade union congresses in 1879, 1884 and 1885 showed now a fervent consciousness of class, identified itself with the world working class movement when John Norton, a radical journalist, was sent as Australian delegate to the International Trade Union Congress at Paris. He is said to have made a good impression, 'a distinct triumph for the Australian Labor Party'<sup>43</sup> which did not exist under that name yet. The *Bulletin* newspaper, then a journal sympathetic with Labour, commented in similar terms—

The shrieks of rage and consternation which vibrate to Australia along the cable's wires testify to the effect of the pebbles which this David, who has stood forth on behalf of the Plebeians of Australia, has slung at the Goliath of Capitalism<sup>44</sup>

Keeping pace with the intercolonial extension of the miners' and seamen's organizations, auxiliary occupations were unionized during the 'eighties. A Sydney Coal Lumpers' Union was formed in 1881, and later a Melbourne Coal Lumpers' Union. A Sydney Trolley and Draymen's Union was formed in 1888, and when the Maritime Strike broke out two years later—by which time a Maritime Council

<sup>41</sup> *ibid.*, p. 192

<sup>42</sup> *ibid.* p. 194 cf. *A History of Trade Unionism in Australia* by J. T. Sutcliffe, pp. 41-43, Melbourne Macmillan 1921 and *The Co operator*, vol. VIII no. 41

<sup>43</sup> *The History of Capital and Labour* p. 114

<sup>44</sup> *ibid.*

of carriage, waterfront and marine trade unions was in existence—it had more than 1,100 members. It is significant that the Labour Defence Committee which directed the Australasian trade union movement during the strikes and lock-outs of 1890, from Sydney, was composed of twelve trade union bodies which, besides the New South Wales Trades and Labour Council (1871) and the Maritime Council (1884), included six transport unions, three miners' unions, and the Amalgamated Shearers' Union.<sup>45</sup> The railwaymen of Australasia, who in the vast majority were government servants, did not strike in 1890-4; but they gave substantial monetary help to the striking unions, and in Queensland many of their number were dismissed for aiding the strikers in other ways.<sup>46</sup> The history of the trade union organization of railwaymen is marked by similar characteristics in every colony—notably the formation of small craft unions which were usually tolerated, followed by the formation of unions to embrace all sections of railway workers, this was a process against which governments set themselves with resolution. In New South Wales up to 15 March 1886, there were no railwaymen's unions but small sectional bodies. Then W. F. Schey, who was elected to the New South Wales Legislative Assembly a little later, but who was at this time a porter at Parramatta railway station, joined with two others to call a mass meeting. The meeting declared for the formation of a general union, and by 31 May 1887, a New South Wales Amalgamated Railway and Tramway Service Association had more than 4,500 members in 24 branches, in spite of a minatory pronouncement of the Railway Commissioners, threatening the imposition of penalties on all who joined the union.<sup>47</sup> Four years later, during the general strike of the Queensland Shearers' Union, many railway gangers and telegraph clerks belonging to the Queensland Railway Employees' Association, a body corresponding to the A.R. and T.S.A. in New South Wales, were dismissed from their employment 'on the distinct charge of having aided and abetted the breakers of the law, and defeating the great efforts which the Government were making.'<sup>48</sup> About 1880 the Minister for Railways in Victoria condemned a secret combination into which some Victorian railway employees had entered; this Railway Association died out after the appointment of Railways Commissioners in 1884. Later, J. J. Longmore succeeded in organizing a Victorian Railway Servants' Mutual Association which by 1888 had a membership of 4,000. In addition, a Locomotive Enginedrivers' and Firemen's Union had a

45 *Official Report and Balance Sheet*, N.S.W. Labour Defence Committee, 1890.

46 *Queensland Parliamentary Debates*, vol. lxiv (Assembly), 1891, pp. 29 *et seq.*

47 *The History of Capital and Labour*, chapter viii, by W. F. Schey, M.P.

48 *Q. Parity Debates*, vol. lxiv (Assembly), p. 31; T. O. Unmack, secretary of railways.

large membership in Victoria.<sup>49</sup> In South Australia, where no trade union appeared in any industry until 1874, an Enginemens' and Fuemen's Association was founded in 1875.<sup>50</sup> It collapsed in 1879, and an attempt next year to revive it was unsuccessful. The 1876 union was, however, revived, despite government discouragement, in 1886.<sup>51</sup> Sixty years later there were still several railwaymen's unions, but the majority of railway workers were, by then, members of the Australian Railways Union.

(4) *Clothing and Miscellaneous Trades*—It was in Victoria that trade union organization was first entered upon in consumers' goods industries—clothing and the like. Manufacturing came to employ more Victorians, in the 'seventies and 'eighties, than citizens of any other colony, and this must be attributed to the stimulus given Victorian manufacturing by the protective tariffs which were enacted from the 'sixties, but particularly from the 'seventies. In turn, this concentration of factories in Victorian towns made them the Australian centres *par excellence* of 'sweating—the under payment of unorganized labour working in wretched conditions inside and outside the factories—in the tradition of the English textile manufacture. Whatever its economic cost may have been,' Reeves wrote in 1902 of Victorian tariff protection, 'the protectionist system deliberately adopted had helped to build up manufactures and find employment'.<sup>52</sup> Of the sequel he wrote,<sup>53</sup>

In 1882 the women in the Melbourne clothing trade were goaded into a strike by intolerable conditions and public sympathy helped them to form the first women's trade union organization in Australia.

But before this event, the advent of manufactures to Victoria had brought in its train circumstances which caused industrial strife in the manufacturing industry. In 1879 wage reductions in the boot industry had the result of bringing about a Victorian Operative Bootmakers' Union, organized at Collingwood, a Melbourne manufacturing suburb, on 19 May 1879, and, in reply,<sup>54</sup> a

49 *The History of Capital and Labour* pp. 176-177.

50 *ibid.* p. 230.

51 *State Experiments in Australia and New Zealand* by William Pember Reeves vol. II p. 4. London Grant Richards 1902.

52 *ibid.* p. 6. *vide* generally his vol. II Chapter I for an account of sweating in Victoria but also in N.S.W. and even in South Australia, Queensland and New Zealand.

53 Murphy writes (*The History of Capital and Labour* Part II p. 179). Out of the Boot Manufacturers Association which was formed to resist the advances of the Boot makers Union grew the Victorian Employers Union—a combination of capitalists from all branches of commerce, manufactures and general industries. It is interesting that the time of this writing (about 1888) should reflect an attitude towards employers' unions which five or six years later when the owners had met the challenge of the unions and put them down would seem strange. As well informed and practical an observer as Murphy could write at the earlier epoch of the Victorian Employers Union of which Bruce Smith of Howard Smith & Co. shipowners was president. Such unions lack a core arising principally from the foreign and conflicting elements by which they are surrounded. But

Boot Manufacturers' Association. There were disputes in the industry at frequent intervals, and on 22 November 1884, 'the first great lock-out which took place in Victoria'<sup>54</sup> resulted in the exclusion of 1,400 men from their employment in sixty boot factories—the employers' answer to the five-year-old union's anti-sweating campaign. The Trades Hall Council just established<sup>55</sup> managed the men's affairs during the lock-out, which lasted for thirteen weeks. Until a compromise settlement was reached, trade unions from all over Australia made contributions to the bootmakers' funds, from which more than £9,000 was distributed in strike pay.

The Victorian Tailoresses' Union to which Reeves refers was formed at the end of 1882. On 10 December a deputation of women workers had waited on the Melbourne Trades Hall Council, to inform the secretary that 500 women and girls employed in the clothing factory of Beath, Schiess & Co. were on strike, resisting a reduction of their wages. The Trades Hall Council set up a Tailoresses' Union on the motion of Duncan McIver, delegate of the Tailors' Society, the union at first had three male officers and seven committee-women. The strike was supported, £1,000 being collected for the women during the first week, 'the girls did their regular *piquet* duty well'<sup>56</sup>; and at length the offending firm was forced to agree to a log. The union enlisted 3,000 members, out of 4,000 females engaged in the clothing trade.

In Sydney, too, there were factories and there was sweating, and there, too, the trade union appeared in manufacturing industry. Forty workers formed a Pressers' Union of New South Wales on 8 September 1885; an Amalgamated Slaughtermen's and Journeymen Butchers' Union was formed in 1883, destroyed by the employment of non-union labour, and re-formed in 1889 as the Australian Meat Industry Employees' Union, and a Federated Clothing Trades Union, formed in Sydney as early as 1875, died after 1892, when ten members who had conducted an unsuccessful tailors' strike, thence debarred from employment, started a Co-operative Tailoring Company which was not more successful than similar experiments in England half a century before, or than co-operative essays of New South Wales coal miners and Victorian printers in the middle of the century.<sup>57</sup>

during the great strikes (*vide* (iv) *infra*) shipowners', mineowners' and station owners' associations, all working through and practically identified with an Intercolonial Employers' Union, smote the federated and combined unions hip and thigh

54. *vide The History of Capital and Labour*, pp. 158-166, p. 166 for the citation.

55. In 1883 the powers of the Trades Hall Committee established in 1859 were extended to make it a Trades Hall Council with directive powers *vide* Murphy, *op cit.*, II, pp. 146 *et seq.* for the history of this and similar bodies in the other colonies

56. *vide* the account in *The History of Capital and Labour*, pp. 168 *et seq.*

57. *vide* the account in *The Co-operator*, vol. VIII no. 41, 1912, the miners' and printers' co-operative are mentioned elsewhere in this section.

(5) *Engineering, etc.*—Various claims have been put forward for distinction as the first Australian trade union. The Sydney Carpenters' (1845 and 1853 and 1861), the Melbourne Stonemasons' (1850 and 1855), the Newcastle Miners' (probably 1854), and the Sydney Mutual Protection Society of unemployed (1843) are all conspicuous among the originators of Australian trade unionism, though of them only the Hunter River Coal Miners' Association may have had a continuous existence, if in various guises. To whichever union the palm or obloquy is due, the Australian history of the Amalgamated Society of Engineers (now the Amalgamated Engineering Union) is of special interest from its earliest days. It is distinguished as a great Australian union which formally is simply a section of the Amalgamated Society of Engineers formed in England only a short time before some of its members, *en route* to the Australian goldfields, founded an Australian branch on the ship *Frances Walker*, on 8 October 1852.<sup>58</sup> The A.S.E.<sup>59</sup> or A.E.U. was eventually to rank with the strongest of the great Australian unions, which, headed in numbers and finance by the Australian Workers' Union that succeeded Spence's Shearers' Union, would include the Australian Railways Union, the Miners' Federation, the Waterside Workers' Federation, and the Federated Ironworkers' Association of Australia. The ironworkers of Sydney had begun to combine soon after their employment was created or widened by the workings of the Lithgow ores in mid-century, and in 1861-2 they fought unsuccessfully for the eight-hour day; in 1874-5 they struck against the 'one break' system, demanding time off for two meal hours per day—the settlement was a compromise, two meal periods in summer during the working day, one in winter.<sup>60</sup> In Victoria, where iron foundries were also established early, the Iron Founders' Trade Union participated with the A.M.A. and A.S.E. in the work of a Parliamentary Committee of trade unions, formed to lobby for eight-hour legislation (which was not obtained) in 1884-5.<sup>61</sup> In New South Wales, various small unions of ironworkers in 1890 had an aggregate membership of 850 (cf. A.S.E., 744).<sup>62</sup> The Sheet Metal Working Industrial Union of Australia of a later day may have had its origin in an Amalgamated Tinsmiths' and Sheet Iron Workers' Union which, formed in Sydney on 20 December 1881, was locked out in 1883 on the eight-hours issue and was at that time in correspondence with 'a kindred society in Melbourne.'<sup>63</sup>

58 *The Co-operator*, Sydney, vol. viii, no. 41

59 The modern union designated by these initials is a different one

60 *The History of Capital and Labour*, p. 44.

61 *ibid.*, p. 172

62 N.S.W. Strikes Commission, 1891, *Literary Appendix*, pp. 133 *et seq.*

63 *The Co-operator*, vol. viii, no. 41.

It is not possible in the space available here to do more than give the general trends of trade union and employers' organization over the period dealt with, and to add some little detail of outstanding events of labour history. Amongst metal workers, however, the printers' considerable organization should be referred to. For the men of this skilled craft played a large part in financing the strikes of their less-skilled fellows, in the 'nineties. When in 1890, for instance, the A.M.A. gave nearly £1,000 (including £500 from Broken Hill) to the Labour Defence Committee's strike fund of more than £37,000, the A.S.E. £1,000, and three ironworkers' unions more than £800, the Typographical Association gave £2,000.<sup>64</sup> Printers' union organization began in Victoria, where, after a Port Phillip Printers' Benefit Society in 1844, a Victorian Typographical Association functioned from February 1852, until 1854. Some of its members bought the *Age* newspaper (which supported the miners' rising at Eureka in December) in October 1854, from Francis Cooke & Co., and ran it for eighteen months as a co-operative venture. They sold the newspaper to an ironmonger, James McEwan, having lost £10,000 on the venture.<sup>65</sup> The first Typographical Association in New South Wales was founded in late 1851, it disappeared in 1876, to be re-organized in 1880 as the Sydney Typographical Association, which next year became the New South Wales Typographical Association.<sup>66</sup> South Australian and Northern and Southern Tasmanian unions combined in 1880 to form the Australasian Typographical Union.<sup>67</sup>

(6) *The Pastoral Industry*—Probably no labour organization in the world has had as curious a history as the trade union of Australian pastoral workers, the Amalgamated Shearers' Union, which became the Australian Workers' Union, the most powerful trade union, in its day, in the southern hemisphere. The magnificent opportunist, William Guthrie Spence, who organized and put into the industrial battle line both the Amalgamated Miners' Union, of which he was at its height paid general secretary, and the Amalgamated Shearers' Union of Australasia, of which he was president at its time of test in 1890, brought the shearers' union into being in 1886 in Victoria to resist an attempt to reduce shearing rates by 2s. 6d. per 100. His organization spread like wildfire, so that when Spence issued a challenge to the pastoral employers in July 1890, only four years after the birth of the union, his word was supported by the vast majority of the workers

64 *Balance Sheet*, Labour Defence Committee, 1890

65 *The History of Capital and Labour*, pp. 154 *et seq*

66 *The Co-operator*, vol. viii, no. 41

67 *Capital and Labour*, *loc. cit*

in the key industry of three colonies, Victoria, New South Wales and South Australia, where there were 2,392 union sheds and but 400 shearing sheds worked by non union labour.<sup>68</sup> In 1890 Spence said that in the 'three years since we started the A S U membership, of 22,500 members at 10s entrance fee and 10s a year subscription, had conducted 3,180 strikes of from thirty minutes' to eight weeks' duration, no strike pay had been issued, and the total cost of these disturbances was £7,000 in rations to strikers.<sup>69</sup> Spence organized, and lost, the greatest industrial struggle that ever took place in Australia, when, in 1890, there may have been 40,000 men<sup>70</sup> organized in his union and the associated Queensland Shearers' Union, he announced abruptly on 12 July 1890, to pastoralists, that no non union labour was to be used in the shearing sheds that season, the outcome, however, was that on 7 August 1891, 'freedom of contract' was ceded to the owners by Spence and the A S U.<sup>71</sup>

#### iv *The Great Strikes*

It may never be possible to compute how many Australian workers left their employment, on strike or locked out, at the time (September 1890) of the most acute situations of the series of industrial struggles which took place in 1890-4. These struggles involved every colony, and every key industry in every colony, in Australasia. Some consequences were the waning of militant trade unionism so that half a generation passed before another class conflict on a large scale took place, the advent of a labour political organization, and, above all, the institution in all the colonies of systems of industrial conciliation and arbitration. This overt class war of 1890-4 was probably an inescapable sequel of the growth of trade union organization and influence which had been stimulated during the long beatitude of the Australian worker in the twenty years or so before 1890, while a great expansion of production and trade had been going on. Then prices for primary produce fell suddenly and far, the increase of quantity could no longer overtake, in any year, the decrease of world price, and the owners turned on the unions. The point at issue—unionism, or the open shop—was the sort of cause that cannot be settled by discussion until one of the

68 For the origins and early history of the A S U *vide* Spence's account in *Minutes of Evidence* NSW strikes commission 1891 pp. 47 *et seq.* and in his *Australia's Awakening* (1908) *passim*.

69 *Min. Ev.* p. 63.

70 According to the *Silver Age* newspaper Broken Hill of 3 September 1890 Spence said the A S U membership was 25,000; an anonymous typescript in the Mitchell Library Sydney gives the A S U membership of early 1891 as 28,000 and that of the Q S U as 11,000 (*The Shearers' Strike January to June 1891*); the same figure was given for the Q S U by the *Labour Bulletin* (Barradine), a Q S U publication, on 28 February 1891, the date of the first issue of this weekly strike sheet.

71 For the agreement *vide* newspapers 8 August 1891.

parties has been silenced, and this was realized by the owners' leaders, though it may not have been by the workers' No one realized at the time how big a thing the strike was going to be, but matters were very much precipitated by the Societies coming out one after the other,' W G Spence said afterwards.<sup>72</sup> It was he who led the Amalgamated Miners' Association and the Amalgamated Shearers' Union, and who obtained the support of the carrying, maine and waterside unions, and he should have realized, if any workers leader did, the magnitude of the unions' task. On the other hand Willis, the chairman of the Steamship Owners Association, had no illusions on the score. Days before any of the pastoral or transport unions called out its men, he said frankly, 'We are determined to fight the seamen. All the owners throughout Australia have signed a bond to stand by one another, and do nothing unless a vote of all the members be taken. We are a combined and compact body, and I believe that never before has such an opportunity to test the respective strength of Labour and Capital arisen.'<sup>73</sup>

The opportunity was not allowed to pass. 'The respective strength of Labour and Capital' was tested over a period of more than four years, from August 1890, until September 1894. The chief disputes after 1890 were a seamen's strike against a wage cut in 1893, Queens land shearers' strikes of 1891 and 1894, and the Broken Hill miners strike of 1892, and in fact this industrial war did include four major campaigns, fought in all eastern colonies and New Zealand in 1890, in Queensland and Western New South Wales next year, at the Barrier in New South Wales in 1892, and in Queensland and New South Wales in 1894. The element of lock out was at least as prominent as the strike element. However, it was all one fight, and throughout there were two recognized disputants—the combined employers with their demand for 'freedom of contract, the combined workers with their demand for the principle of unionism'. On all occasions an Australasian organization of owners directed the strategy of the one side, and on all occasions the workers in every colony gave help, monetary or otherwise, to their comrades who were on strike or locked out.

What is usually called the maritime strike was the first phase. The description is not a good one, for of 50,000<sup>74</sup> men who may have been out towards the end of September 1890, probably half were shearers and a third were coal and silver lead miners. And,

<sup>72</sup> In evidence before the NSW Royal Commission of 1890-91 on Strikes *Minutes of Evidence* p. 64.

<sup>73</sup> *cit Silver Age* newspaper 29 July 1890.

<sup>74</sup> According to Arthur Duckworth in his article 'The Australian Strike 1890' in *Economic Journal* 1892 pp. 425 *et seq.*, at p. 438.

of the three causes to which the strike has been attributed, the *Corinna* affair had little to do with the case, and the question whether the ship's officers' union should associate with other trade unions was closely bound up with the third, and main cause, which was the shearers' interpretation of 'the principle of unionism.' The basic issues were two—one, the question of whether the shearers would tolerate the shearing of sheep by non-unionists or men under 'station' instead of union forms of agreement, and whether transport workers would permit the carriage to the ports, the loading and the sea-carriage of such 'non-union' wool, and the other, the question of the right of the Marine Officers' Association to be an affiliated trade union of the Melbourne Trades Hall Council. The evidence of miners', wharf labourers' and coal lumpers' unions, after the strike, to the Royal Commission which the New South Wales government set up, leaves little doubt as to the real origins of the troubles.

Taking the ship's officers' matter first: the seamen on ships on Australasian runs had been organized in their trade union for up to seventeen years, and the stewards and cooks in theirs for five years, the wharf labourers and coal lumpers, too, for several years, when in October 1889, the ship's officers, hitherto unorganized, formed the Mercantile Marine Officers' Association of Australia and New Zealand, with 183 members. There was no particular objection to this on the part of the shipowners, but when in March 1890, the Association became an affiliated union of the Melbourne Trades Hall Council, protest was sharp, it was held that the disciplinary authority of the officers, on ship's duty, must be undermined by their identification with the trade union movement to which the personnel under their orders also belonged. This question arose about four months before shearing started in the chief wool districts of New South Wales. It was only with the advent of the shearing season, the express determination of the Amalgamated Shearers' Union to enforce the union agreement in all sheds—of which at least 80 per cent<sup>75</sup> had been unionized in 1889—and the organized objection of the pastoralists to this, that the industrial storm broke. Incidentally to the main matters of contention, marine officers and crews alike, through their unions, were pressing for improved pay and conditions of work, about the middle of the year.

The unions had won the first round in May 1890, when the Queensland Shearers' Union, with the backing of the A.S.U.—

<sup>75</sup> Duckworth, *loc. cit.*, p. 432, gives this figure for Victoria, N.S.W. and South Australia. According to the *Official Report* of the Labour Defence Committee (p. 8) 'at least 10 per cent of the sheds (in N.S.W., presumably) were shearing under non-union rules' in 1890. Spence told the strikes commission (*Am. Ev.*, p. 54) that at the opening of the 1890 season the union counted about 87 per cent of the sheds of Victoria, N.S.W. and South Australia as union sheds.

Spence went north to assist—and the Rockhampton wharf labourers, successfully blocked the 'black' (non-union) wool ready to be loaded on the ship *Jumna*, until the pastoralists conceded that this season, all sheds should be union sheds. The A.S.U. then turned its attention to enforcing the union shed in the southern colonies. In mid-July 1890 it conveyed to the Pastoralists' Associations its insistence that shearers should be engaged under union, not station, agreements, and called on the wharf labourers', scamen's, and stewards' and cooks' unions to sharpen the A.S.U. point by refusing to load or carry wool from non-union sheds. A Melbourne message published in the Broken Hill newspaper, *Silver Age*, on 24 July, gives the key to the situation. 'The shipowners generally regard the averting of the strike as impossible, and state that if it does not take place over either the demands of the maritime officers or the seamen, it will over the shipping of non-union wool.' By this time the shearers' front with the transport workers, excepting the railwaymen (who as state employees seem never to have contemplated striking with the rest), had assumed a solid appearance. But the owners, already with an intercolonial organization superior to the unions', were in a position to reply effectively. In the closing days of July, New South Wales pastoralists began issuing station contracts and engaging men for shearing, through Sydney agencies which took on only non-unionists, and while the scamen were demanding an increase of wages and an eight-hour working day, the shipowners subscribed in a few minutes a defence fund of £20,000, a gesture which the seamen appeared to counter in early August, by raising a similar fund. The *Cornwall's* owners laid her up, after a strike over the dismissal of a union delegate, next day, 7 August, the New South Wales Trades and Labour Council declared its support of the union shearers. On the 15th the Marine Officers' Association gave twenty-four hours' notice of their intention of leaving their ships unless the owners withdrew from their intransigent position—the union had offered disaffiliation in return for increases of pay, but the owners had declined to confer—and 'the die had fallen.'<sup>76</sup> The officers left their ships in all ports on Saturday, 16 August, the seamen walked off after them, and, waiting on the wharves, waterside workers, including coal lumpers, downed hooks in sympathy; notices calling for labour to handle non-union wool were already posted on the wharves. On the 18th a whole series of resolutions were passed by affected unions, the Sydney wharf labourers deciding to support the officers—they had decided five days before not to handle 'black' wool—the seamen deciding to come out in support of the officers, and the stewards' and cooks'

76 *Silver Age*, 16 August 1890.

union likewise, besides the Brisbane wharf labourers; the Hotel and Caterers' Employes' Union decided to expel their members who should volunteer to take the places of striking cooks and stewards on the 'black' ships.<sup>77</sup> The officers' union declared, with the rest, against carrying 'black' wool. A week later the New Zealand Maritime Council of unions called out the seamen and wharf labourers of that colony, and the Newcastle wharf labourers refused to load the *Corinna*. Just before 'resolutions Monday,' the 18th, a Labour Defence Committee had been set up, comprising delegates from the New South Wales Trades and Labour Council, the Sydney Maritime Labour Council, the Amalgamated Shearers' Union, the Amalgamated Miners' Association, the Marine Officers' Association, the Sydney Wharf Labourers' and Coal Lumpers' Unions, the Federated Seamen's Union, the Stewards' and Cooks' and Trolly and Draymen's Unions, and the Lithgow and Illawarra Miners' Unions.<sup>78</sup> Developments then were rapid. An Australasian Conference of Employers sat at the Sydney Chamber of Commerce from 10 September, and an Intercolonial Trade Union Council at the Sydney Trades Hall, the headquarters of the Labour Defence Committee, from next day.<sup>79</sup> That day, the A.S.U. called out the 20,000 or more union shearcars of Victoria and New South Wales, and at Sydney the Trolly and Draymen's Union decided it would not carry 'black' wool from the railway station to the wharves, where non-union labour awaited it.

Swords were crossed on the 19th, when ten lorries carrying 150 bales of 'black' wool were driven by wool store clerks and others, escorted by mounted troopers, from the Central Railway Station, Sydney, to Circular Quay. A fight took place on the wharves between union and non-union labourers, the Riot Act was read, and police charged. Within a few days 2,000 special constables had been sworn in at Sydney, military brought to Melbourne and Sydney and held in barracks, the Associated Colleges had closed down the northern coal mines and the B.H.P. companies had locked out the miners on the Barrier, money was pouring in in thousands of pounds for use by the Labour Defence Committee, naval ratings had refused to load coal at the port of Melbourne, taking a stand with the unionist coal lumpers, soldiers and armed special police had been sent to the northern and southern coalfields of New South Wales, the Anglican Bishop of Queensland had laboured on the Brisbane wharves with non-unionists, Cardinal Moran, Catholic Archbishop of Sydney, had announced his support of the officers,

77. *Sydney Daily Telegraph*, 19 August 1890.

78. *Official Report*, Labour Defence Committee, 1890.

79. N S W strikes commission, 1891, *Appendices*, p. 34, *Min Ev*, p. 28, Duckworth, *loc. cit.*

seamen and unionist wharf labourers, and numerous actions had been brought under the Masters and Servants Act against striking shearers. . . . But the £4,000 that had been cabled by English unions, including the seamen's and the dockers' (who had been supported by £30,000 from Australia during their strike the year before for 'the docker's tanner'), and the larger amount subscribed by the colonial public, and the £29,000 raised by the trade unions of Australasia in a few weeks, did not avail against the machinery of the owners and the law, the union resistance was smashed at point after point, and the struggle, or this phase of it, ended when, on Guy Fawkes's Day, 1890, the Newcastle coal miners, last of the labour forces to give up, went sullenly to the pits between files of police and soldiers.

The immediate result of the owners' victory in the 'Maritime Strike,' apart from a serious depreciation of the influence and therefore the membership of the participant trade unions, was the unchallengeable adoption by the Pastoralists' Union of shearing agreements<sup>80</sup> which ignored the union membership or otherwise of the shearer as irrelevant to an application for employment. But the organized employers did not rest upon their laurels, a steady campaign against trade unionism was carried on. For instance, within two months of the settlement of the 1890 troubles for the nonce, the New South Wales Employers' Union had issued with an approving preface an account<sup>81</sup> of the success of the iron founders of San Francisco in doing away with the 'union shop,' a minimum wage and the eight-hour day, by locking out then men. 'In issuing this pamphlet,' the Sydney Employers' Union wrote, 'our object is to call the attention of the public generally, and of our law-makers, politicians and heads of families particularly, to a calm, careful and unprejudiced consideration of the question of *Trades Unions*, whether they are calculated to serve, commercially, morally or politically, the best interests of the community, or not.' It was clear that the employers' attention was focussed on the 'or not.' Events in Queensland soon brought this home.

It must be borne in mind that the reasons why the basic issue between employers and trade unions should have been laid bare at this particular time were not the tactics of employers or unions, however irritating the methods of each may have been to the others. The opposed strategy of employers and unions—'freedom of contract' as against the union shop and the union shed and the union ship—came into collision at this time because now, in the early years of the 'nineties, world prices were falling at a sudden accelera-

<sup>80</sup> *vide ibid.*, *Appendices*, pp 13-16, for the various agreements and *Appendix D* in the typescript *Shearers' Strike 1891*, in the Mitchell Library, Sydney

<sup>81</sup> *The Strike of the Iron Moulders' Union*, issued 8 January 1891, Sydney.

tion. Australian exports fetched relatively less than before, and accordingly there was a decreasing margin of profits within which the employers could afford to make concessions. Australian wholesale prices,<sup>82</sup> reflecting the world trend, fell from 1,071 (on a base of 1,000, prices of 1911) in 1889 to 1,053 in 1890 to 945 in 1891 and 918 in 1892, to reach bottom levels at 749 in 1894.

The intercolonial pastoralists' organization, having broken the union resistance in the south-eastern colonies, turned north with the New Year. Towards the end of 1889, Queensland pastoralists had attempted to force a reduction of shearing rates on the union there, the Queensland Shearers' Union,<sup>83</sup> but without success, and in 1890 Queensland 'shore union.' The struggle began in earnest in 1891, however—early in the year, because, of 150 Queensland sheds, about twenty were accustomed to start shearing in February, the bulk starting in July and August. The Intercolonial Conference of Pastoralists' Unions (of New South Wales, Victoria, Queensland, and South Australia) published the form of shearing agreement on which it had determined for next season, before the end of 1890, and non-union labour was shipped from the southern colonies to the Central district of Queensland, for the early shearing, only a few weeks after the New Year. Permanent artillerymen armed with field pieces and Gatling guns, mounted infantry of the Defence Force and newly-uniformed young men of the Volunteer Force, besides armed police, and non-union shearers armed and warranted as special constables, were sent to the Central districts. The unionists did their best to picket the stations against the free labour, but their efforts were usually of little avail, and, refusing to acknowledge 'freedom of contract' and accept work on the employers' enforced conditions, they massed in twenty-one camps, one of the chief of which, at Barcaldine, contained more than a thousand men, some of them armed. In March, the National Australasian Convention at Sydney was unanimously adopting a draft for the Federal Union of the Australian colonies under the Crown, to be styled the Commonwealth of Australia. But the men at Barcaldine flew the blue flag, the flag of the revolted miners at Eureka in 1854, sang songs composed by Henry Lawson and E. J. Brady,<sup>84</sup> and remained on strike until June. But they, too, had in the end to accept 'freedom of contract' and defeat.

The worsting of the shearers and other bush workers was thus a common experience of the colonies. The transport workers had

<sup>82</sup> Knibbs's table of Melbourne average wholesale prices for a number of commodities, published in Commonwealth Labour and Industrial Report No. 1, 1912.

<sup>83</sup> *vide* Queensland Parity Debates, vol. XIV (Assembly), 1891, pp. 103 *et seq.* for an account of the origins of the dispute.

<sup>84</sup> These were printed in the *Worker*, Brisbane, William Lane's Australian Labour Federation newspaper, in the first half of 1891.

fared similarly, and the miners of the northern coalfields of New South Wales, who in the face of 200 soldiers and extra police had stood helplessly by while, as early as 29 August 1890, the Associated Coal Owners had reopened some Newcastle pits with non-union labour.<sup>85</sup> Other miners, however, had used their unions to force concessions from the owners even as the trade union movement generally prepared to challenge the owners at large (the miners at Lithgow),<sup>86</sup> or at the height of the general conflict (the miners at the Barrier).<sup>87</sup> In both cases a reduction of working hours had been gained, the Lithgow miners obtaining a reduction from 57 to 54 hours and the Broken Hill miners a reduction from 48 to 46, and in neither case were wages reduced. In the case of the Barrier miners, the lock-out weapon had been made to turn in the companies' hand. On 5 September 1890, the various Broken Hill mining companies had issued a notice that the mines would be closed in six days' time, though earlier the A.M.A. had arranged, at the companies' request, to maintain timber and fuel supplies in order that operations would not be interrupted, however, a vote of £500 to the Labour Defence Committee at Sydney, and a voluntary levy by the Barrier miners of 5s. per man per week to the strike fund, had shown the companies clearly enough where their employees' sympathies lay. Still, the lock-out was at this juncture a very costly way of disciplining the union, for in the second half of 1890 average prices for both silver and lead stood higher than the average during any other six-months' period since the beginnings of B.H.P.<sup>88</sup>—and the level was not surpassed afterwards. More than £1m. worth of ores had been smelted and refined, and much more than half that sum had been paid to or was destined for shareholders that year, when the first rumbling of the general upheaval was heard. It is not surprising that very soon after the men had been locked out, the companies talked of reopening the mines.<sup>89</sup> But the men would not go back on the companies' terms, and after a conference at Melbourne between the parties an agreement was concluded which was favourable to the men—this on the very day on which the bloodthirsty Colonel Tom Price, addressing his mounted troops in the same city, as they were served with

<sup>85</sup> Colonial newspapers, 30 August 1890

<sup>86</sup> *ibid.*, 11 August 1890. According to the *Sydney Quarterly Magazine*, September 1889, p. 273, the Lithgow Miners' Association at that date had 450 members.

<sup>87</sup> *vide The Industrial History of Broken Hill*, by George Dale, pp. 15-17 (Melbourne, Fraser & Jenkinson, 1918) and the *B.H.P. Review*, June 1935, pp. 10-11, for accounts of the 1890 developments

<sup>88</sup> The price of lead averaged £14. 16s. 7d. per ton over this period, and silver 4s. 5¼d. per fine oz. These were peaks since 1886. After 1890 prices fell gradually to 2s. 7d. plus and £9 12s. to £9 18s. in the second half of 1894 and the first half of 1895. Silver made no steady advance after that, though there was a rise up to early 1896, but lead advanced steadily *vide B.H.P. Co. Reports*.

<sup>89</sup> Dale, *op. cit.*, p. 17.

forty rounds of ball ammunition per man, was exhorting them to aim low for a telling effect on trouble-makers.<sup>90</sup> The agreement provided (1) that future disputes should be referred to a board of arbitration on which owners and men would be equally represented, the matter to be referred to a Supreme Court judge if no agreement could be reached, (2) that the wages named in the agreement of September 1889 should stand (10s. per day for miners and 8s. 4d. for surface workers), (3) that the working week should be of 46 *vice* 48 hours.<sup>91</sup> The miners retained for less than two years the fruits of this victory. Then, on 10 June 1892, the Barrier Ranges Mining Companies' Association addressed a letter to the Barrier branch of the Amalgamated Miners' Association, notifying the secretary, Richard Sleath, that they proposed to abolish the uniform day-wage and let the stoping of ore by contract, 'and, in consequence, desired to vary the then existing agreement to that extent.'<sup>92</sup> On 30 June the companies informed the union that all agreements were terminated as from 31 July, when contract stoping would be introduced, the mine managers to fix the rates. The miners and associated workers, 6,000 or 7,000 in number, met on 3 July and struck next day against the companies' open breach of the agreement. On 16 August the companies' directors conferred in Melbourne and decided to reopen the mines on the 25th, the greater portion of the work would be let by contract, and the former working week and wages retained for those who would be paid day-wages. 'The Companies have no objection to men belonging to Unions,' they announced, 'but the mines management no longer will submit to control by Union rules or regulations.'<sup>93</sup> Here was the gospel of 1890 and 1891, and indeed the phrase 'freedom of contract' was used in the companies' manifesto.

The companies made no attempt to honour their agreement of 1890 with the miners, to submit matters in dispute to arbitration, the methods they used were more direct. Only fifty men, including shift-bosses, reported for work on reopening day, 25 August. Next day two unionists were arrested, they were sentenced to three months' imprisonment for picketing. Then the 16 August threat of 'other arrangements' was put into effect, parties of non-unionist workers being brought under guard from Melbourne and elsewhere, and successive reinforcements of police being introduced from Sydney. On 15 September the building in which the union defence committee was meeting was surrounded by police with fixed bayonets, the A.M.A. leaders were arrested and charged with sedition

90. *Silver Age*, Broken Hill, 26 September 1890

91. Dale, *op cit.*, p. 17

92. B.H.P. Co. Report No. 15, 30 November, 1892, Directors' Report, p. 9

93. *vide ibid.*, *et* Dale, *op cit.*, pp. 37-38.

and conspiracy. They were tried at Deniliquin early in October, and sentenced to imprisonment for periods up to two years. (Of the five, four who were still serving their sentences were released on 6 July next year, in honour of Prince George's marriage. Simultaneously, the companies reduced the wage rates of day-labour.) A mass meeting on 5 November 1892, the second anniversary of the locked-out Newcastle miners' return to work after the 1890 *débauche*, called off the strike, or submitted to the terms imposed in August. The bundling of unionists out of Broken Hill after that was a thorough business, so that soon the A.M.A. had but 300 members at the Barrier, compared with more than ten times that number at the time of the unsuccessful 1890 lock-out.<sup>94</sup> 'Peace reigned on the Barrier for the ensuing decade.'<sup>95</sup> But not on the sheep runs. The Pastoralists' Unions took upon themselves to set aside, in 1894, the agreement under which shearing had been done since 1891, and the shearers struck again, and again unavailingly.

#### v. *Industrial Conciliation and Arbitration*

In an approach to study of the systematic regulation by the state of wages and working conditions in Australian industry, it is necessary to discard a (widespread) belief that these arbitral systems were created by organized labour and set up in substitution for the method of regulating labour relations by 'direct action,' a method which had failed the great trade unions in 1890 and succeeding years. Nothing of the sort happened. Certainly, in the 1880's trade unions had rejected proposals for state regulation, because they did not trust a state which to them was an instrument of employers, certainly the combined unions' general strike in 1890 had failed miserably, and certainly, in the 1890's and after the turn of the century, the labour spokesmen supported, and even pressed for, the institution of state arbitration systems. But obviously, that is not to say that labour either created state arbitration or repudiated the strike. What happened was that non-labour politicians worked out arbitration systems which excited no interest, or excited hostility, on the part of a labour movement which in the 1880's believed that it could achieve its objects by direct action against employers, but non-labour arbitration proposals *did* interest a labour movement which, in the 1890's, was forced to realize that it had been brought to standstill by a combination of the employers and the state. For it had been demonstrated, on the Sydney wharves, on the coalfields of New South Wales, on the Barrier, and in the union

<sup>94</sup> cf. Dale, *op. cit.*, p. 68 (300 A.M.A. members, 1894-95) and *Silver Age*, 8 September 1890 (3,200 A.M.A. members then).

<sup>95</sup> *B.H.P. Review*, June 1935, p. 11.

strongholds in Western New South Wales and Central Queensland, that the state could be an effective weapon for one class in industry, against another class, *et cetera*, labour, worsted in industrial conflict, must organize its entrance into the political arena and there try to capture the state. The labour point of view is put succinctly in a pronouncement<sup>96</sup> of the Labour Defence Committee, in winding up its affairs in 1890

The rule that Trades Unionism must steer clear of politics was a golden rule when there was so much work to be done within our present industrial environment. But that time is drawing to an end, and ere we can radically improve the lot of the worker we must secure a substantial representation in Parliament. Then, and only then, can we begin to restore to the people the land of which they have been plundered, to absorb the monopolies which society at large has tended to create, and to ensure to every man, by the opportunity of fairly remunerated labour, a share in those things that make life worth living.

That is the essence of the matter. There was no 'change of heart' in the Australian workers who developed 'that ill defined blend of Radicalism, Socialism and Trade Unionism, the Progressive programme in Australia and New Zealand'.<sup>97</sup> Nor was there much 'Socialism' about it. Expediency continued to dictate the tactics of organized labour, whose object in 1900 as in 1890 or 1880 (or 1940, for that matter) was to obtain for the worker, 'by the opportunity of fairly remunerated labour', a greater 'share in those things that make life worth living', or, in the phrases of the first Labour platform<sup>98</sup> of June 1891, 'any measure that will secure for the wage earner a fair and equitable return for his or her labour.' And some form of state arbitration of employer-employee causes in industry seemed the only practicable course for the battered and broken unions of the 1890's to follow and to pursue.

How the systems worked out, in relation to the working class object, will be studied subsequently. But already in the twenty years that passed after the passage of the abortive New South Wales Trades Disputes Conciliation and Arbitration Act of 1892 (55 Vict., No. 29), legislation in New Zealand, Victoria, New South Wales, the Commonwealth, and then the lesser states of the Commonwealth, legislation promoted by non-labour Governments and

<sup>96</sup> *Official Report* Labour Defence Committee, p. 18.

<sup>97</sup> *State Experiments in Australia and New Zealand* by W. P. Reeves, pp. 91-2. Reeves's definition is consistent with the Labour object as cited in the text above—It is to secure by combination and law a larger share of comfort and opportunity for that great human mass which lives upon such stinted reward as Capital measures out to Labour day by day and month by month. It is to raise the standard of life among the workers not only by gaining for them shorter hours and better pay but by lifting them on to a higher plane by education and a civilized environment. By combination and law is the true clue to the Labour attitude after the failure of 1890.

<sup>98</sup> *vide* for the 1891 platform of the N.S.W. Labour Party *The Labour Party in New South Wales*, by T. R. Roydhouse and H. J. Taperell, pp. 15 *et seq.*, Sydney, 1892.

accepted with qualifications by the Labour Parties, had attempted various forms of practice of a common principle that the state was responsible for the ordering of relations between employers and employees in industry. This legislation falls into four main divisions (1) the Industrial Conciliation and Arbitration Acts passed in New Zealand in 1894 and 1901; (2) the Factories and Shops Acts passed in Victoria in 1896-8, 1900, 1906 and 1907; (3) the series of New South Wales Acts after the 1892 Act mentioned above and the Conciliation and Arbitration Act of 1899, namely, the Industrial Arbitration Act of 1901, the Industrial Disputes Acts of 1908 and 1909, and (4) the Commonwealth Conciliation and Arbitration Act 1904. The emphasis in the early New Zealand Act was on conciliation machinery, and in that Act and the New South Wales Act of 1901, on arbitration by a court with assessors representing employers and employees, the Victorian alternative system, of wages boards in individual industries, was restricted in its application at first to sweated industries and was given general application in 1907; and after the beginning of the twentieth century, and the model of the New South Wales 1901 act, Commonwealth and Dominion arbitration legislation placed stress on arbitration by a judicial or quasi-judicial tribunal which could command the appearance of parties and intervene in an industrial dispute, and whose awards had the force of law.<sup>99</sup>

The court system dates from—though it did not arise from<sup>1</sup>—recommendations of the Royal Commission on Strikes appointed by the New South Wales government in 1890 and given wide terms of reference. The Council of Conciliation and the Arbitration Court which were set up by the act of 1892 proved ineffective, the court lacking power to compel attendance or enforce decisions,

<sup>99</sup> There is a fair range of sources of information on the preparation and operation of the early State systems of industrial arbitration. Easily the best short description is in George Anderson's chapter, 'Industrial Tribunals and Standards of Living,' in *Australian Standards of Living*, by various authors pp. 65 *et seq.* Melbourne University Press, 1939. The best introduction is perhaps in Reeves's *State Experiments in Australia and New Zealand*, published in 1902, and there is some history, though not much, in George Anderson's *Fixation of Wages in Australia*, Melbourne, Macmillan and MUP, 1929. Foenander's *Towards Industrial Peace in Australia* (Melbourne University Press, 1938) may also be referred to.

Ernest Aves's report on the Australian and New Zealand system to the British Home Office (*Cmd* 4167, 1908) gives a clear view of the operation of the court and wages boards systems up to 1907-8, and the earlier report, of similar scope, by Judge Backhouse as N.S.W. Royal Commissioner (ordered to be printed, 24 July 1901) is illuminating. The story of industrial arbitration as told by the second President of the Commonwealth Court of Conciliation and Arbitration, Mr. Justice Higgins (*A New Province for Law and Order*, London, Constable, 1922), should be read after these documents.

<sup>1</sup> *cf.* N.S.W. *Parliamentary Debates*, 1891-2, vol. lvn, p. 6358. Edmund Barton, the Attorney-General, introducing the Trades Disputes Conciliation and Arbitration Bill second reading, said, referring to a bill introduced by Sir Henry Parkes on 8 August 1891, and withdrawn, '(The present bill) is not quite the bill of Sir Henry Parkes, but it embodies a good deal of that bill . . . (It) is not precisely founded on the recommendations of the Strikes Commission, because the bill of Sir Henry Parkes was really prepared before the Commission reported.'

and in 1895 the new Labour Party and the protectionist opposition brought this first arbitration machine to a stop by refusing supply. In the year (1891) of the introduction of the bill which became the New South Wales act of 1892, William Pember Reeves, a Progressive member of the New Zealand Parliament, offered an Industrial Conciliation and Arbitration Bill which was accepted by the New Zealand House of Representatives in 1892-3 but rejected by the Legislative Council because of its compulsory clauses; but after three and a half years the Seddon government, in which Reeves was Minister for Labour, got his first act of compulsory arbitration into the New Zealand statute book. Three forms of settlement of disputes were evolved under the 1894 New Zealand act—the voluntary agreement which, being registered, would have the force of an award, the recommendation of a Conciliation Board, which could have similar force, and—the most usual form, in the event—an award of the court after a matter in dispute had been submitted for arbitration. The conciliation machinery did not work well, and after the New Zealand act of 1901 it was not required that a dispute should be referred to a board before reference to the court. New South Wales used the New Zealand model, after the See government had adopted recommendations by Judge Backhouse, who had been sent to New Zealand and elsewhere in 1901 to compare the working of a system of compulsory arbitration by a court, with that of a system of wages boards in individual industries (Victoria). As a sequel New South Wales adopted the court system, with compulsion, by the act 1 Ed. VII, No. 59, which received the assent on 10 December, 1901. The pressure of the strong Labor Party for a compulsory system, and realization that conciliation machinery could not prevent great economic loss through strikes, were no doubt important factors in bringing to pass the New South Wales Industrial Arbitration Act of 1901, under which the first effective Australian Court of Arbitration was set up.

Under this act, numerous trade unions registered, and numerous actions were brought (87 unions registered in 1902, when the court first sat, consisting of a judge, who was president, and a representative each of the employers and employees),<sup>2</sup> and the court worked satisfactorily for three years or so during which 25 awards were made, affecting more than 10,000 workers; but the removal from the court, then, of the power to declare a common rule—i.e., to make its awards apply to non-parties to an application, in the industry concerned—cast its proceedings into confusion, and in 1908, just before the 1901

<sup>2</sup> Actually the first trade union registrations under arbitration were made in 1901 under the Western Australian Arbitration Act (56 unions, 9,620 members, 1902, 80 unions, 11,442) of 1900, which was an abortive measure. Under the N.S.W. Act of 1901 87 unions, with 58,203 members, were registered in 1902, 124, with 63,510 members, in 1903.

act ran out a new measure, the Industrial Disputes Act, grafted on to the court a system of boards, after the Victorian model developed from 1896

A Liberal ministry (George Turner's) was responsible for the Victorian Factories and Shops Act, 1896 (just as the Liberal See ministry was responsible for the New South Wales act of 1901 Alexander Peacock was the caretaker of the Victorian measure, Bernhard Wise of that of New South Wales) The Factories and Shops Act, 1896, set up six boards, each to consist of from two to five employers and an equal number of employees, and an independent chairman (in practice, often a police magistrate), which would have power to determine the lowest price or rate to be paid in the industry in which the board had jurisdiction This function is important, historically, as marking the acceptance of the principle of public regulation of wages, by which a minimum wage could be declared and enforced The experimental act was renewed for two years when it ran out in 1900, and in 1902, after a Royal Commission had heard much evidence, the wages board (or 'Special Board') system was made permanent by fresh legislation The system was rapidly extended, just as the New South Wales court system quickly attracted more and more of industry to it, but as Evans points out,<sup>3</sup> a most significant difference between the two systems was that while the court system of its nature fostered trade unionism, the wages board system was not of a kind to invest trade union membership with immediately obvious advantages At any rate the conservative Wade ministry deemed it worth while to introduce the wages board system into New South Wales in 1908, though the Labour party succeeded in securing the retention of the court system, too Next year the 1908 Industrial Disputes Act was amended ('the Coercion Act,' for use to put down the Newcastle coalminers' strike), and in 1912 the McGowen (Labour) government again got through amendments, the common rule was affirmed South Australia followed the Victorian example in 1902 + though subsequently wage fixing and the arbitration of disputes were made each the responsibility of separate tribunals, and Tasmania adopted the wages board system in 1910 In the Commonwealth sphere, after two ministries had fallen on the issue of industrial arbitration, a Commonwealth Conciliation and Arbitration Act was passed in 1904, establishing a system which set a wage standard for Australia

<sup>3</sup> *loc cit* pp 533-534 Under the wages board system the unions had no power to enforce the determination of the wages boards The maximum wage fixed was equally applicable to non unionists and enforcement lay exclusively in the hands of the Government factory inspectors The ultimate reason why the New South Wales union movement prospered rapidly and that in Victoria did not was mainly political In New South Wales the Labour party was able to extract favourable legislation from a government which was compelled to rely upon its support

(1907) and which came to be, in effect, the control of the Victorian wages boards and (from 1937) the Industrial Commission of New South Wales, as well as the Tasmanian wages boards. Queensland, alone of the states, had no court or boards (until 1912) for the fixation of wages or the settlement of industrial disputes.

It seems best to consider the development of the Commonwealth Court, together with the later development of the state systems, in the context of the economic history of the early part of the twentieth century, where we shall find on a larger scale that clash between the arbitration tribunal and the highest judicial tribunal, which had distinguished the New South Wales court in its functioning in the first years. Discussion of the Commonwealth system may therefore be postponed to the next two chapters. It is to be noted here, before consideration is given to the 1903 and 1908-9 series of industrial conflicts, that neither the earlier court system of arbitration, with an employers' representative, an employees' representative, and a government-appointed chairman, nor the later system of judicial appointments, was particularly effective in preventing strikes and lock-outs. The reasons for this failure are various, having to do for instance with the tendency of some Arbitration Judges to take advantage of their quasi-judicial independence of the government and act in court according to their personal judgment or sympathy, whether or not this attitude coincided with the express policies of the government for the time being. But deeper than that, this weakness lay at the basis of the arbitration system the acts were designed to encourage the formation of trade unions and the enlistment of all workers in them, and undoubtedly they had the effect of increasing trade union membership and the number of unions,<sup>4</sup> but the doubling of the number of trade unions in Australia, for instance, between 1901 and 1909, and the trebling of union membership, did not work out altogether to the advancement of the arbitration system from an employer's point of view. For though now small unions in small industries, and the adherence to them of workers new to unionism, might build up a new unionism which was, as it were, the child of the court, the old militant unions, veterans of the struggles of the 'nineties, were at best troublesome wards of the court. The miners and transport workers, whose employments had been thoroughly unionized by the efforts of the unions and not of the courts, retained an organization and a method for which the court had no appropriate emollient. The pastoral workers, too—that remarkable organization, the Shearers' Union, to which it is estimated 90 per cent of the workers at

4. *vide* Commonwealth Labour and Industrial Report No 5, 1914, p 7, for 1891 (unacceptable), 1901, 1906-13 figures of the number and membership of trade unions.

present (1907) belong'<sup>5</sup>—were recovering after the hammer-blows of the station-owners in the 'nineties and the effects on their employment of the long drought of that decade. The Australian position was radically different from that of New Zealand, where the trade union movement had 'practically collapsed' after the 1890 strike, 'the only great strike in which New Zealand (was) ever engaged,'<sup>6</sup> and where, by 1907, 274 unions, with a membership of nearly 30,000, had grown up in the shadow of the court.<sup>7</sup> In Australia arbitration found an uneasy bedfellow in a trade unionism that was the creation of workers and not of employers or the state.

#### vi. *Strikes and Lock-outs after Federation*

Four serious industrial dislocations took place in Australia at intervals during the first dozen years after the Federation of the Australian colonies into a Commonwealth on 1 January 1901. Two were disputes between employers and employees in the transport services (the Victorian railway strike of 1903, and the lock-out of Brisbane tramwaymen in 1912, issuing in a general strike in Brisbane), and two were disputes in the mining industry (the lock-out of Broken Hill miners in 1908-9, and the New South Wales coal strike in 1909). Unlike in many respects, these occurrences shared certain characteristics. The principal factor in common was the ineffective working, especially from the employers' point of view, of Arbitration Acts where the workers used their right of association in trade unions. Another significant common factor was the employment of the coercive power of the State against the workers, whether striking or locked out. 'Company unionism' was an employers' device against the trade union organization, which was used on the Broken Hill and Brisbane occasions, and in 1903 the Victorian government set its face against the trade union organization of its railway servants and at the instance of its Premier and Attorney-General, afterwards Sir William Irvine, Chief Justice of the Supreme Court and Lieutenant-Governor of the state, discriminated against unionists in favour of non-unionists. The arbitration idea was temporarily discarded by the New South Wales and Victorian governments in 1909 and 1903 respectively, when the state parliaments adopted coercion acts against the trade unions. In the Broken Hill and Brisbane troubles, awards of the young Commonwealth Court of Conciliation and Arbitration, favourable to the employees, were made after the employers, with

<sup>5</sup> Aves, *loc. cit.*, p. 119

<sup>6</sup> *ibid.*, pp. 87, 103

<sup>7</sup> *ibid.*, p. 92 Aves (*vide* pp. 121-125) was not sufficiently satisfied with the working, up to 1908, of any of the Australasian systems, whether arbitration by courts or by boards, to recommend it to the favourable consideration of the British Liberal Government.

state assistance, had successfully enforced their original lock-out and broken the associated strikes. In short, these four struggles seemed to reveal the incompetence of the post-1891 arbitration settlement to affect vitally the relations between employers and workers, and the methods to which these parties were apt to resort in case of a serious dispute on an economic question or on a question of the right of workers to associate in trade unions. For all the elaborate machinery set up by colonial and state governments, and then by the Commonwealth government, in 1891-1907, no change had been brought about in the basic relations between capital and labour in industry. A Ministry of All the Non-Labour Talents was in office in the Commonwealth when the 1903 strike took place, a Liberal (Deakin) ministry during most of the currency of the 1908-9 dispute, a Labour (Fisher) ministry at the time of the Broken Hill settlement, a Liberal (Deakin) ministry during the 1909 coal strike, and finally a Labour (Fisher) ministry throughout the 1912 lock-out and general strike in Brisbane. It did not appear that either the federation of the colonies or the advent of Labour in politics, or again the establishment of arbitration systems, had affected the ability of employers to enlist the services of state government forces against their workers, or the determination of their workers to assert their right to collective bargaining and free association in trade unions.

The locomotive enginemmen and firemen employed by the Victorian Railways Commissioners struck at midnight on 8 May 1903, because the state government led by W. H. Irvine, a nephew of John Mitchel, the great rebel (*vide* Chapter III, ii), required their trade union, the Locomotive Enginedrivers' and Firemen's Association, to disassociate itself from the Melbourne Trades Hall Council. This was the issue of 1890 over again, with the railwaymen now in the rôle that had been filled by the ship's officers, and the Victorian government in the rôle of the Shipowners' Association. In this case, however, the leaders of the men, refusing to agree to disaffiliation, were dismissed, their fellow-workers went on strike in protest. There was a complete cessation of railway services for several days, then non-unionists were enrolled by the Railways Commissioners, and the strikers went back to work (15 May). The Irvine government proceeded, however, with legislation which, as the Railway Employees' Strike Suppression Act 1903, deprived strikers of pension and other rights as government servants and secured strike-breakers in the government service.

B. R. Wise's N.S.W. Industrial Arbitration Act, 1901, which had been carried at the second attempt and only after a general election, had instituted compulsory arbitration with provision for the

enforcement of the awards of a Court on which an assessor for the employers and one for the employees sat with the President, a Judge. The act was a temporary one, due to expire on 30 June 1908. The president, Mr. Justice Heydon, said of it shortly before its term ran out, that it was 'a rudderless hulk incapable of navigation.'<sup>8</sup> There had been sixteen strikes in the first three months of 1908, and 110 in the first half-dozen years of its operation, including 60 in the coal mines.<sup>9</sup> G. C. Wade introduced in 1908 his substitute, an Industrial Disputes Act which incorporated the principle of the Victorian wages board system while retaining a State Industrial Court as an appellate tribunal. The new act came into operation in April 1908. On 10 October the A.M.A. acting on a vote of 3,540 to 430 of its members,<sup>10</sup> called out all unionists in the employ of the Broken Hill Companies. This was in reply to a statement by John Darling, chairman of the B.H.P. Co., that on the expiry in December of a two years' wages agreement entered into by the A.M.A. and the companies, and in operation from 1 January 1907, as an agreement registered with the State Industrial Court, wages would be reduced, because of increased costs and decreased lead and silver prices. Immediately, however, the strike was designed to anticipate the owners' enforcement of a wage-cut, by destroying the 'Non-Political Union' which had been set up to put pressure on A.M.A. members to accept reduced rates when the agreement should have expired. Tom Mann, who had led the London dockers, managed the strike which appeared to have had an instantaneous success when, on 20 October, the notice appeared on the windows of the closed headquarters of the Non-Political Union, 'This office is closed. R.I.P.'<sup>11</sup> The officers and a thousand members of the Non-Political Union were received into the ranks of the A.M.A., which by this time had regained its power at the Barrier, removed in the years after the lock-out of 1892. The strike was over in a week. However, fifty police were sent from Sydney to Broken Hill on 1 November, no reason being given in spite of denials by the B.H.P. general manager that he had requested their despatch, and in spite of protests from the authorities at Broken Hill. On 11 November the combined unions presented to the Mining Managers' Association claims for a new agreement, involving no change of wages, and reduction of the working week to 44 hours. With the New Year the B.H.P. Co., refusing to concede the terms, put off its men; all that the A.M.A. could do by way of prompt reaction was to force the general

<sup>8</sup> George Black, *Arbitration's Chequered Career*, p. 4

<sup>9</sup> *ibid.*, et Aves, *loc. cit.*, p. 114

<sup>10</sup> *Sydney Morning Herald*, 19 October 1908.

<sup>11</sup> *ibid.*, 21 October 1908.

manager's coachman to join the union.<sup>12</sup> On 11 January, when an attempt to picket the B.H.P. mine was made, police, much reinforced by successive contingents from Sydney, broke up an A.M.A. procession and arrested a number of men, including Tom Mann. Mr. Justice Higgins, of the Commonwealth Arbitration Court, offered conciliation, the B.H.P. Co. refused, on the ground that the A.M.A. had refused to withdraw its pickets. In Melbourne on the 14th Higgins granted an order nisi calling on the company to show cause why an injunction should not be granted to restrain it from doing something in the nature of a lock-out. (Only the B.H.P. and Block 10 Companies had refused to renew the agreement on the A.M.A. terms)<sup>13</sup> Higgins announced his award on 12 February, it upheld the agreement proposed by the men and accepted before the end of 1908 by most of the companies. But in September 1909, Mr. Justice Pring, of the Supreme Court of New South Wales, sentenced William May and Walter Stokes to three and two years' imprisonment respectively for riot on 11 January, and H. E. Holland to two years' imprisonment for sedition.<sup>14</sup> The lock-out did not terminate for twenty-one weeks, during which trade unions in England, New Zealand and every Australian state contributed a total of nearly £46,000 to the Broken Hill combined unions' lock-out fund.<sup>15</sup>

This conflict, an odd case of Commonwealth *plus* workers *plus* some employers *v.* State *plus* the richest employers (the B.H.P. Co. reports show that the company had by this distributed more than £11m. in dividends), was scarcely over before the B.H.P. and Block 10 Companies again put off their men (nearly 2,000 in number), impelled to this course by the failure of fuel supplies because of a coal strike, which had begun early in October, and may have involved 12,000 miners and mine workers. The causes of the strike, whose centre was on the Newcastle field, appear to have been unionists' dissatisfaction with working conditions and owners' dissatisfaction with the working of the numerous wages boards set up under Wade's 1908 Industrial Disputes Act.<sup>16</sup> Forty coal companies appear not to have experienced such reverses as the reduction of silver, lead and spelter prices had brought B.H.P. and its associated enterprises; the average dividends paid by forty collieries in 1908 was 6½ per cent, some of the large companies

12 *Sydney Morning Herald*, 4 January 1909.

13 W. D. Barnett, secretary of the A.M.A., Barrier Branch, to G. D. Delprat, general manager of the B.H.P. Co., 23 December 1908, *cit. S.M.H.*, 1 January 1909.

14 *S.M.H.*, 19 September 1909.

15 *Barrier Daily Truth*, 6 August 1909.

16 Sutcliffe, *op. cit.*, p. 179, emphasizes the first group, John Plummer (in his *Australian Notes for the Mining Journal*, Chicago) the latter Plummer's contemporary detail is illuminating. Many factors causing trouble are described in the *Sydney Morning Herald*, 8 November 1909.

having made profits almost reminiscent of B.H.P. peak levels—the A.A. Co. dividend was 18½ per cent, Newcastle-Wallsend 20 per cent, Bellambi (a B.H.P. enterprise) 17½ per cent, and Mount Kembla, 18 per cent.<sup>17</sup> The Industrial Disputes Amendment Act 1909 (the Coercion Act) of the New South Wales parliament, which helped to bring the strike to an end, was like the 1908 act, a measure initiated by the Wade government. It gave police officers special powers of search in connection with any strike or lock-out affecting any necessary commodity, including coal, and provided penalties up to twelve months' imprisonment for instituting or maintaining a strike or lock-out. The coal miners of the western and southern fields broke in February 1910, and the Newcastle miners returned to work on 5 March, after a twenty-two weeks' strike. The settlement provided for a special board, instead of a number of boards, to arbitrate the matters in dispute. This was the owners' original suggestion.

. . . . .  
*For fifty thousand working men  
 Are banded now as one.*

What the combined unions' strike committee described as the 'first simultaneous strike in the world,'<sup>18</sup> began in Brisbane in January 1912, when 43 trade unions organized under the direction of the Australian Labour Federation (which had failed to defeat the government and the squatters in 1891) made 'a studied attempt—such as had often been talked of but had never before been put into practice in Australia—to bring about a complete stoppage . . . of all the varied activities of a whole community.'<sup>19</sup> The writer (quoted from the *Round Table*) mentions also that the union leaders 'took upon themselves to assume some of the essential functions of a lawfully-appointed government, in opposition to that already in existence,' licensing businesses and appointing peace officers to keep order in the streets, and so forth. This is a true account, but it neglects the essence of the matter, which was the old bone of contention—whether or not workers had the right of free association in a trade union. In 1904 the Brisbane Tramway Company, which had been empowered by an act of 1882 to run trams in Brisbane, dismissed a number of men among 260 who had proposed to join the Australian Tramway Employees' Association, a federal union whose headquarters were in Melbourne. The dismissed men were reinstated after two days, on the prior condition of their

<sup>17</sup> Plummer's *Australian Notes*, dated 28 December 1909.

<sup>18</sup> *Official Strike Bulletin* No. 1, Brisbane, 31 January 1912.

<sup>19</sup> Article, 'The Brisbane General Strike,' by a Queensland correspondent, in the *Round Table*, London, June 1912, pp. 472 *et seq.*

withdrawal from the union. Another attempt, in 1908, to bring the Brisbane tramwaymen into the federal union, was frustrated by a similar method. The company now took a leaf from the B.H.P. book and promoted a Brisbane Tramway Employees' Association, to which in April 1911, 100 tramwaymen belonged, as compared with 500 members of the federal union in Brisbane. The federal unionists were refused by the company manager, J. S. Badger, permission to wear on duty a small metal badge indicating their membership of the A.T.E.A., and on 18 January 1912, while their claim to wear the badge was pending before the Commonwealth Arbitration Court sitting in Melbourne, men wearing the badge were suspended by the manager, who refused to allow the dispute to be submitted to arbitration by a third party. A conference of the Queensland Trades and Labour Council's 43 affiliated unions was called, and on 28 January the Council informed the Company that unless the men's claim was conceded within two days, a general strike would be called. The claim was not conceded, and '50 thousand working men' downed tools, not for a badge but, like the Labour Defence Committee of 1890, for 'the very principle of unionism.' A daily procession of red-rosetted unionists from the Trades Hall was prohibited by Proclamation of D. F. Denham's government on 2 February, extra police were recalled from the bush and special constables sworn in, Denham telegraphed to the Fisher Labour government at Melbourne an application for Federal troops (under section 119 of the Commonwealth constitution) and police with loaded rifles and fixed bayonets blocked the approaches to the Trades Hall at Brisbane. Fisher refused military aid, refusing it also to the Brisbane Strike Committee, which had made a similar application. (Another Labour Prime Minister, J. H. Scullin, would follow this precedent, in the course of the New South Wales coal stoppage of 1929-30.) 'The great impending Co-operative Commonwealth'<sup>20</sup> which the unionists may have believed would come out of the struggle, did not emerge. Mr. Justice Higgins called a compulsory conference of the parties on 13 February; this was abortive, and two days later the Employers' Federation refused a suggestion of the strike committee that the federation instruct its state committee to confer with the strike committee with a view of arranging the return to work of all but tramwaymen. Mr. Justice Higgins decided in favour of the tramwaymen, and on 3 March the general strike was declared off. On 8 March the Company applied to the High Court (successfully, in the event) for an injunction to prevent the enforcement of the Higgins award, and on the 11th Messrs. Ranking, P.M., and Allan, M.L.A., veterans

20. *Official Strike Bulletin* No 24, 27 February 1912.

of the pastoralists' struggle with the shearers in 1891, attended a picnic arranged for some of the 3,000 special constables who had been enlisted. On 14 March the Brisbane *Daily Mail* asked the strike committee to publish its balance sheet. On 15 March the strike committee replied that it would do so, simultaneously with the publication by the Employers' Federation of its balance sheet, and the men went back to work.<sup>21</sup> Blithe exchanges apart, there is not a tittle of evidence that the capital *v.* labour situation in Australia in 1912 differed in any essential from the situation in 1890. Labour relations in industry were never changed by legislation in Australia.

<sup>21</sup> *vide* for details of the strike *Round Table*, *loc cit*, *Official Strike Bulletin*, Nos 1 (31 January 1912) to 56 (4 April 1912), and 6 *Commonwealth Arbitration Reports*, pp 35 *et seq*, and Commonwealth Labour and Industrial Report No 2, 1912.

## CHAPTER VII

### FURTHER ECONOMIC DEVELOPMENT, 1891-1912

- i. Commerce and Industry
- ii. The State and the Producer
- iii. Economic Crisis and Depression in the 'Nineties
- iv. Social-Economic Factors Making for the Federation of the Australian Colonies
- v. The New Protection, and Labour Party Legislation

#### i. *Commerce and Industry*

THIS period is significant, not so much for the emergence of new industries and new markets for exportable produce—a characteristic of the period described in Chapter V—and not so much for a remarkable addition to the volume of production—a characteristic of the twenty years succeeding, as described in Chapter VIII—but rather, for the experiments which were then made in the direction of redistributing, or regulating the distribution of, the national income. It is the era of closer settlement, of the New Protection, of the Harvester judgment: all, devices of redistribution; all, legislative and quasi-legislative attempts to regulate the capitalistic economy. It was during the first dozen years of the new century that Australia experienced, with its Arbitration Acts and Excise Tariff Acts, Land Tax Act, Commonwealth Bank Act, Australian Industries Preservation Act, and so on, the short-lived effort of Liberal and Labour politics to temper the wind of capitalism to the shorn lamb—the wage worker who had fared grievously in the years of industrial conflict and the years of drought which dragged through the rest of the 'nineties. The incidents and projects of the period of recovery, from about 1903, are sketched in the second section of this chapter, and the purpose of the present section is simply to survey in a general way the economic environment in which the social-economic experiments of the Liberal and Labour Parties were made.

In the first place, the period under consideration opened (*vide* iii) with severe economic crisis, followed by deep depression, and

the road to recovery was the harder and the longer, on account of 'the Big Drought,' the protracted dry spell which, through most of the 'nineties, killed off a huge proportion of the flocks and herds, and devastated the farmlands, of primary-producing Australia. The first years of the century were dry years, for example, in 1901 the year's rainfall in the Victorian Mallee was 9.39 in. and in 1902, 7.64 in., compared with an average (66 years to 1936) of 13.33 in., and in 1902 the rainfall in the Wimmera and Northern districts, the other two granaries of Victoria, was only three-fifths of the normal fall. Not that, taking Australia as a whole, low prices and low rainfall stopped the development of diverse industries, including important export industries, which had been proceeding at an accelerated pace before 1890. But the crises of finance and weather were a serious hindrance. The Australian wheat acreage, and wheat yield, were more than half as great again in 1901 as in 1891, and the quantity of wheat exported was double, and the value half as great again, as the export of 1891, the value of mineral production was 75 per cent above the total of 1891, and the value of 1901 mineral exports was considerably more than double, two a half times as much butter was produced, and the value of the butter export of 1901 was seven times that of 1891; the population increase in the ten years was less than a fifth, and the value of exports per head grew in about the same proportion. But the wool export had made up 55 per cent of the value of all exports in 1891; in 1901 it was only 30 per cent, and the 1901 wool cheque was 24 per cent less than that of 1891, and the clip 16 per cent less in quantity. The flocks of Australia, drought-stricken, were but 72 million sheep in 1901, where there had been more than 104 million ten years before.

The figures compared are, of course, merely for two selected years, but it happens that they represent the general course of events quite well, the heavy blows which the staple wool industry had suffered were softened, in their repercussion on the national economy in general, by the protection provided by the newer export industries, but the Australia of the first year of federation was a chastened society, compared with the Australia of 1891, now that a decade of adversity had been experienced and the total of bank advances was down to two-thirds of the total of 1891.

Taking the various main contributors to the export economy: the advance of the wheat export, with the opening of the twentieth century, is largely attributable to the release of Victorian and South Australian surpluses for marketing abroad, in consequence of the extension of wheatgrowing in New South Wales in the 'nineties, when new railways made farming practicable so that the colony

could at last, after 110 years, meet its own breadstuffs requirements. The bound of gold exports from £5·7m. value in 1891 to £14·3m. in 1901 was made largely as a sequel of the discovery by Arthur Bayley and John Ford of gold at Coolgardie, Western Australia, in 1892, and Patrick Hannan's 'strike' of 1893, at Kalgoorlie, not far distant. Western Australia now for the first time became of significance to the Australian economy. Where Victoria had contributed half, and Queensland more than a quarter, of the Australian gold production of less than £50m. value in the decade of the 'eighties, in the 'nineties the Western Australian proportion (£22·3m.) of £90m. worth of gold raised was almost as great as the Queensland proportion, and equivalent to three-quarters of the Victorian production. Then, in the first decade of the twentieth century, when the Victorian and Queensland output was similar to that of the 'nineties, Western Australia produced £75·5m. worth of gold. More gold was produced in those ten years than in the 1850's or any other decade in Australian history. In Queensland the Mount Morgan, Croydon and Etheridge fields returned most of the state's large gold output, while in Victoria, though some rich lodes were still being worked (as at Bendigo), and occasional discoveries still being made, much of the production was due to individual fossickers and prospectors whose numbers were augmented by the economic depression and consequent unemployment. (Of 71,000 gold miners in Australia in 1901, 27,000 were in Victoria, compared with 20,000 in Western Australia and 9,000 in Queensland.) But though the goldfields contributed five-eighteenths of export value in 1901, compared with three-eighteenths in 1891, and though on each occasion the wheat export contributed only about one-eighteenth, by 1911 the wheat export was worth £9·6m. out of a total export value of £79·5m., the gold export, £12m., was not much higher. At this stage, the pastoral products (wool, hides, skins and tallow, meat and butter) made up half the total receipts from exports, gold and other minerals (including silver and lead, £3·2m., and copper, £2·3m.) about a quarter, and wheat an eighth. This last was an important development; and the changing balances of New South Wales economy had much to do with it. Having exported its first wheat surplus in 1898, New South Wales was within a generation the principal wheat producer of Australia. The comparative development of the various wheat areas, during the thirty seasons from 1880-1, can be tabulated from the official figures.

The figures in the table below show total areas under crop (of which land under wheat is usually about three-quarters), and they illustrate the relative rates of the extension of farming, above all of wheat farming, in the various Australian communities.

AREA UNDER CROP IN AUSTRALIA, AND THE PRINCIPAL  
WHEATGROWING STATES, IN THE FOUR SEASONS, 1880-1,  
1890-1, 1900-1, 1910-1

Season	New South Wales		Victoria		South Australia		Australia m acres
	m acres	% of total	m acres	% of total	m acres	% of total	
1880-1 ..	606	13·3	1 549	34 2	2 087	45 8	4 561
1890-1 .	853	15 7	2 032	37 2	2 094	39	5 43
1900-1 .	2 447	27·8	3 144	35·3	2 37	26 9	8·814
1910-1 .. ..	3·386	28 5	3·952	33 3	2 746	23 1	11 893

The most remarkable feature of the figures, obviously, is the great extension of cultivation in New South Wales in the 'nineties, indicated by the tripling of the area under crop in 1900-1 as compared with 1890-1. In twenty seasons after 1890, 6½ million acres was added to the cultivated area of Australia, and 2½ million acres of this was in New South Wales, compared with nearly 2 million acres in Victoria and ¾ million acres in South Australia. Victoria maintained its place as containing about a third of the continent's cultivated area, while the old granary of South Australia, which contained nearly half of the area under crop in 1880, contained not quite a quarter of the 1910 cultivated area. The technological aids which had made large-scale dry farming practicable, and the pushing of railways into the New South Wales Riverina and the Victorian Wimmera and Mallee, were largely responsible for the large part which these two communities played in the extension of the area under wheat from 3 million acres in 1891 to 7 million in 1911, and the production of a harvest of 72 million bushels in 1911 compared with 26 million in 1891.

In considering the disastrous experience of the pastoralists, in the Big Drought, it is not to be forgotten that the preservation of the fittest sheep, together with the culling of inferior breeds, enforced by recurrent drought, has been no small factor in maintaining the high level of the Australian fine-woolled animal.<sup>1</sup> This basic wool industry, developed during three-quarters of a century after the early 1830's, was, before the end of the nineteenth century, the principle single source of supply to the woollens manufacture of the world. Even in 1889, of about 2,000 million pounds of wool (in the grease) consumed by all woollens manufacturers, the

<sup>1</sup> *The Evolution of the Australian Merino*, by E. W. Cox (Sydney, Angus & Robertson, 1936) gives in Chapters III and VII some interesting details of the building up of some famous merino studs, and C. E. W. Bean's *On The Wool Track* (London, Alston Rivers 1910) contains some fine material on the improvement of the fleece.

Australasian colonies supplied 30 per cent, or more than 50 per cent of the aggregate of raw wool imports by woollens manufacturing countries.<sup>2</sup> 'As might have been anticipated,' Coghlan wrote in 1893, 'the climate of Australia has in some respects changed the character of the Spanish fleece. The wool has become softer and more elastic, and while having diminished in density it has increased in length, so that the weight of the fleece has only slightly altered.'<sup>3</sup> And, on the average of the five years 1909-13 Australia supplied nearly 23 per cent of the world's total wool production of nearly 3,300 million pounds (and New Zealand, 6 per cent). Australia produced more wool than the next two producers on the list, Russia and Argentina, put together, and exported nearly 85 per cent of its production. Roughly 40 per cent of the Australian wool export went to the United Kingdom market, 25 per cent to the French and 20 per cent to the German,<sup>4</sup> most of this was bought by overseas buyers attending the wool auctions in the Australian cities.

Of the industries which, developed on an increasing scale from the 'eighties or earlier, contributed largely to Australian employment and production, including production for export, and which supplemented wool, gold and wheat production as making up the tale of Australian wealth, some are better considered outside the present context. The sugar industry is treated in (u), and manufacturing industry in (v), for both took a prominent place in Commonwealth and state politics after the federation of the colonies, and their development is most readily followed by way of the story of legislation, colonial, state and Commonwealth, through the period of economic depression from 1893 and the decade of Liberal-Labour experimentation from 1903. What remains, a sphere in which 'the producer' was paramount, and 'the State' at all times secondary and incidental, is largely the great metallurgical enterprise which assembled, about its Broken Hill nucleus, most of the productive resources of Australia which could be turned to the immediate service of heavy industry.

The story of the Broken Hill Proprietary and its associated companies through the 'nineties is a glittering continuation of that of the 'eighties, in the last year of which the B.H.P. Co. produced silver and lead to a net value of one and a third millions of pounds sterling. The £2m. mark was passed in each of the years 1891-4, except 1892, when a lock-out towards the end of the year resulted in the reduction of output over the second six months to one-third

2. *vide Sheep and Wool in New South Wales*, by T. A. Coghlan, p. 22, for statistics (Sydney, Government Printer, 1893)

3. *ibid.*, p. 5

4. Percentages from statistics in the Commonwealth Year Books

of normal. In 1894, the B H P Co employed more than 3,000 men, including 1,000 miners underground and nearly 500 miners working in the open cut which had been commenced during the 1892 dispute, and nearly 600 on the smelters.<sup>5</sup> The company had acquired in 1892 the British B H P Co's smelting works, opened at Port Pirie in 1889. In 1897 new smelters were brought into operation at Port Pirie, after which no more smelting was done at Broken Hill.<sup>6</sup> It had been early observed that more than smelting was necessary to get the maximum return from the great variety of ores at the Barrier, and from 1889 an ore dressing plant had treated 1,500 tons of carbonate and sulphide ores weekly, to win two thirds of the silver and lead contained in the ores. Then, in August 1895, not long after silver and lead prices had reached bottom (2s 3½d per oz of silver and £9 per ton of lead), and when the value of output had reached its lowest point (except for 1892) since 1890, the B H P chairman, D E McBryde, informed share holders that the future prosperity of the company as a silver lead producer depended on the sulphide ores. From 1897 a concentration plant, designed to produce high grade lead and zinc products from tailings, handled 10,000 tons of ore weekly. The Dutchman, G D Delprat, succeeded to the general managership (after Alexander Stewart and John Howell) in 1899, and from 1903 the Broken Hill output was largely zinc concentrates from tailings, this shift of emphasis was made possible by the invention by A D Camichael and Leslie Bradford (afterwards general manager) of valuable flotation processes.<sup>7</sup> In its first ten years (to 1896) the company had produced more than 313,000 tons of lead, 84 million ounces of silver, 22,000 ounces of gold (from 1890), 3,000 tons of copper (from 1891) and more than 2,000 tons of antimonial lead (from 1890).

Most of the Broken Hill output had been exported overseas (the total Australian silver and lead export was worth nearly £2m in 1891, and more than £2m in 1901), and from early in the 'nineties a substantial proportion had been shipped to the Far East (e.g., 8,000 tons in 1892, cf. 2,800 tons sold in London, 8,500 tons in the first half of 1896).<sup>8</sup> But in the early years of the

<sup>5</sup> B H P Co Report No 18 31 May 1894

<sup>6</sup> *B H P Review* Jubilee Number June 1935 p 13. All information on Broken Hill used here and not otherwise acknowledged is from the Company Reports the *B H P Review* and official sources

<sup>7</sup> *vide Report on the Flotation Processes etc in use at Broken Hill* by A S Winter and B H Moore (8 pp and diagrams) Perth Govt Printer 1926 *et vide* Australasian Institute of Mining and Metallurgy *Proceedings* December 1928 December 1930 for description of the ore treatment processes

<sup>8</sup> For the development of an Eastern market for Australian metals *vide* B H P Co Reports e.g. Nos 22 24 and 29

twentieth century the zinc concentrates<sup>9</sup> were not produced from the still rich Broken Hill mines to values comparable with those of the silver lead output of the late 'eighties and 'nineties, and for long periods together, for example, in 1909-11, the parent mine was closed down.

Subsequently the B.H.P. Co. would exploit its leases of Iron Knob and Iron Monarch, in the north of Eyre's Peninsula, South Australia, to feed a great Australian steel industry. These deposits, acquired in 1900, were found to contain two-thirds metal, the ore would be transported more than a thousand miles from Whyalla, South Australia, to Newcastle, New South Wales, in the company's steamers, and it would be smelted with coke from coal produced in the company's black coal mines in the Newcastle area. But consummation of this development lies beyond the period of the present chapter.

While the characteristic Australian developments about the beginning of the new century were an accentuation of the economic importance of the old wool and gold industries, together with a great expansion of wheat exports, a large silver and base metals export trade, and substantial butter and frozen meat export trades, the emphasis in small and less populous New Zealand, still on wool production, was being transferred to what would soon be a food export trade of world importance. The table following shows something of this.

In a comparison with the statistics for Australia at similar periods, it is seen that the New Zealand wheat harvest was unimportant (from one-fifth to one-ninth of the Australian), and that even in 1900, after drought in Australia and generally good conditions in New Zealand, the number of sheep in New Zealand did not much exceed a quarter of the number in Australia. However, New Zealand's primary resources returned a value of exports per head higher, usually by about a quarter, than the Australian, while New Zealand imports per head were also higher, except at the summit of the Australian boom which collapsed at the beginning of the 'nineties. In 1910 the New Zealand wool export was worth nearly 40 per cent of total exports, compared with a somewhat smaller ratio in Australia. The New Zealand export of frozen meat was not far short of the Australian, and its butter export approached 40 per cent of the Australian. The pastoral, and now especially the intensive pastoral development, in New Zealand, was rapidly

<sup>9</sup> The zinc concentrates consist of 45 per cent zinc, 6 per cent lead, 30 per cent sulphur, and 10 oz of silver per ton. The lead concentrates are made up of lead 60-65 per cent, silver 20-25 oz per ton, zinc 7-8 per cent, and sulphur 30 per cent.

reversing the relative positions which New Zealand and the Australian colonies had occupied in 1881, when New Zealand exports per head had been lower than those of any other Australasian colony (£12 5s 7½d cf N S W, £21 1s 6¾d, and Victoria, £18 14s 0¾d)

SOME NEW ZEALAND PRODUCTS, AND OVERSEAS TRADE,  
1885 1911

—	1885-6	1890-1	1900-1	1910-1
Wheat yield (bushels)	4 24m	5 724m	6 527m	8 661m
Wheat per acre (bushels)	24 4	18 99	31 6	28
No of sheep	15 2m	16 1m	19 3m	24 3m
—	1885	1890	1900	1910
Total imports	£7 3m	£5 9m	£10 2m	£16 7m
Total imports per head	£11/17/2	£8/18/11	£12/14/6	£16/1/11
Total exports	£6 7m	£9 5m	£13 2m	£22 1m
Total exports per head	£10/19/7	£14/8/9	£16/9/8	£21/5/10
—	1885	1890	1900	1910
Principal exports—				
Wool (lbs in the grease)	86 7m £3 2m	102 8m £4 15m	140 7m £4 7m	204 4m £8 3m
Frozen meat (cwt )	296m £ 373m	898m £1 087m	1 844m £2 123m	2 654m £3 851m
Tallow (cwt )	138m £ 176m	173m £ 162m	367m £ 368m	52m £ 756m
Butter (cwt )	025m £ 102m	035m £ 122m	172m £ 74m	357m £1 812m
Cheese (cwt )	015m £ 035m	04m £ 085m	103m £ 229m	451m £1 195m
Gold (oz )	223m £ 89m	187m £1 007m	374m £1 44m	478m £1 896m

The essential difference in the method generally used to exploit to the utmost the rich resources of small New Zealand, from those used to get the most out of the varied immensity of the Australian continent, is well stated by W Millar Smith<sup>10</sup> He compares Australian and New Zealand export commodities in 1924 8, on a basis of classification of wool, hides, tallow, meat and grain as 'products of the extensive use of land,' on the one hand, and classification of fruit, butter, cheese and sugar as 'products of the intensive use of land,' on the other. He found that 73.96 per cent of Australian export commodities should be classified as 'extensive' products, compared with New Zealand, 56.9 per cent. On the

<sup>10</sup> *The Marketing of Australian and New Zealand Primary Products* by W Millar Smith p 148 London Pitman 1936

other hand, New Zealand exports included 33.02 per cent of 'intensive' products, compared with Australia, 9.15 per cent. Butter and cheese made up only 5.05 per cent of Australian exports, 32.48 per cent of New Zealand exports. The process of intensification, whether in New Zealand or Australia, went on in the external circumstances that the European food market was expanding while the United States was declining as a food exporter, and in the internal circumstance of a governmental disposition to encourage small settlers by money advances and other means. This disposition on the part of governments was in part a consequence of economic depression, it was fostered as world prices rose with the new century, and as primary producing Australasia developed, under small producers governments variously styled Liberal, Labour and Progressive, complex protective systems, designed for the manufacturer as well as for the farmer, which represented a social philosophy as different from Manchester Liberalism as the New World was from the Old.

#### ii *The State and the Producer*

The era of legislation for the small man opened in the 'eighties, in New Zealand, when the state assisted immigration of poor persons had been or was about to be discontinued in all the chief colonies, and when New Zealand, first among them to have contracted a public debt, had to face the problem of making a community which could absorb a rapidly acquired population of half a million souls. The Improved Farm Settlements Act, 1885, giving government advances of money to persons receiving the perpetual lease of 100-200 acre blocks, and succeeding legislation, brought order into the chaos which resulted from the unparalleled influx into New Zealand in the 'seventies'.<sup>11</sup> When economic depression came to the Australian colonies, after *their* great spending period in the next decade, their governments looked to New Zealand for a model, and village communities and other media of state aid to farmers quickly became part of most of the colonial societies. Fruitgrowing in South Australia, sugar cultivation in Queensland, mixed farming and wheatgrowing in Victoria and Western Australia, all owe something to the application of the New Zealand principle of advances to settlers, to their several circumstances. These were all emergency measures. Then, with the recovery of world prices from 1897, and then steady appreciation from 1902, the systems devised in

<sup>11</sup> The record year 1874 which saw a rise in population of 46,000 (including 22,000 assisted immigrants) was and still is the high-water mark of population gains. Both 1874 and 1875 showed a ratio of growth far in advance of any level subsequently attained' (N.Z. Year Book, 1938, p. 54.)

emergency were extended and improved as integral parts of the newer Australian and New Zealand economy. State aid was manifested now, not to preserve but to stimulate.

These changes in the face of the colonies, soon in the process of change to be a 'Commonwealth' and a 'Dominion,' were contingent upon changes in the economic order throughout the world. In the diversified Australian economy, the first step was to put down the pretensions of wage earners to a share in the control of industry, the next was to consolidate a middle class of small producers. In the process many of the old wool and sugar baronies disappeared, giving way to bank-controlled small debtor-producers or to estates, far-scattered through the country, managed for city finance companies. The passing of this old order was clearer cut in the case of the North Queensland sugar-planters than in the case of the wool men, for the sugargrowers retained to the end, what the woolgrowers had long lost, that essential accompaniment of a baronage, a supply of serf or peon labour. Indentured coloured labour from the Pacific islands was available to sugar-planters in the North until several years after federation, but the assignment of convicts had been discontinued sixty years before, and alike in Queensland, New South Wales and Victoria the powerful labour union of shearers had been able, if for the briefest of seasons, to dictate to the squatters some of the terms of their employment. 'The old plantation methods with the Kanakas,' Easterby writes, 'resembled portions of the old world where the feudal system established communities whose schools, churches and places of abode were practically under the control of one person . . . The capitalist alone was able to cope with pioneering difficulties in sugar-growing and manufacturing. With (a) change in the conditions . . . came a very decided alteration in the personnel . . . engaged in it. Instead of about fifty planters in a district, 800 small farmers took their place. The overseer of a gang of, say, sixty Kanakas, was replaced by half a dozen farmers employing four Kanakas each.'<sup>12</sup> Soon, even these were gone, replaced by white cane-cutters. But before examining the nature of the change in the conditions in which sugar was grown and milled, earlier, similar changes elsewhere than in the Queensland sugar areas should be noticed.

In New Zealand, government assistance was given to small settlers after several fashions, in the late 'eighties and the 'nineties—(1) perpetual leases of small blocks, with government money advances, under the 1885 act, (2) the group settlement of twelve or more persons on a perpetual leasehold of up to 11,000 acres, and (3) village settlements of persons each assisted on to a 100-

12. *The Queensland Sugar Industry*, p. 13.

acre holding. At the end of the century there were, largely as a result of the operation of such schemes, 51,006 occupiers of holdings of less than 320 acres in New Zealand, out of a total of 62,485 occupiers; the small men held 3·8m. acres. Victoria, New South Wales and South Australia adopted the village settlement idea from New Zealand, and from 1893 established settlements or labour colonies for persons thrown out of their employment as an incident of the current economic crisis. The settlements, as group settlements, were nowhere very successful, though they served a purpose in Victoria by converting surplus urban labour into rural labour, and in South Australia by giving a start to intensive cultivation of Murray River areas.

Intensive cultivation by small holders in Queensland owed its origin to the Sugar Works Guarantee Act, 1893, under which more than a dozen central mills, i.e., mills free from planter-control, were authorized. The growers themselves managed the mills, in which facilities were accessible to small men, and growers in this class were encouraged by government money advances on mortgage of their land. Actually two mills, with a government majority on their directorate, had started crushing in 1888, and it was the success of this experiment which emboldened the government to advance £500,000 to growers for the erection of central mills under the act of 1893. Government aid was given in another important respect, when, in 1893 and 1895 (and 1912), commissioners were sent abroad to select varieties of cane which might be suitable for cultivation in Queensland, in 1895 Henry Tryon brought back the variety, Badila, which was the most used in Queensland even after more than a generation had passed after Tryon's return. In 1898 the first Government Sugar Experiment Station was opened at Mackay, and in 1900, after a report by Dr. Walter Maxwell, director of the Hawaiian Sugar Planters' Association experiment station, a Sugar Experiment Stations Act was passed in Queensland and Maxwell appointed first director under it. Most sugar farms were now of from 5 to 30 acres, though of the total number of farms 7 per cent, each of more than 105 acres, occupied 56 per cent of the cultivated area. Most of the cane, on large holdings or small, was still at the beginning of the twentieth century, cut by island labour employed at 2s 6d. a day, the coloured labour cost of cutting, 10d. per ton, comparing with a white labour cost of 3s. 6d.<sup>13</sup> It was reluctance to lose the benefit of this cheap labour, which it was clear an Australian government would prohibit, which made the Queensland planters hostile to the idea of federation—which, in

<sup>13</sup> Easterby, *op. cit.*, p. 21. The information in this paragraph is from Easterby's expert account, and from the Commonwealth Acts mentioned.

the issue, was of great benefit to them in another way, by giving them for the first time a free market throughout Australia, and a protective duty of £6 per ton on sugar imports. Sugar manufacturing was, in fact, perhaps the first Australian industry to benefit from the political federation of the colonies. (The economic and related backgrounds of the federal movement will be discussed presently.) The Commonwealth Excise Tariff Act (No. 11 of 1902) gave a rebate of £2 of £3 excise duty per ton charged on manufactured sugar, where the cane had been cultivated and cut by white labour, and next year the Sugar Bounty Act and Sugar Rebate Abolition Act (No. 4 and No. 3 of 1903) abolished the rebate method and gave a bounty on sugar produced by white labour. However, not much more than a quarter of Queensland sugar production was produced by white labour even in 1905, and in that year the Excise Tariff Act (No. 24 of 1905) increased the excise duty to 4s. per cwt. of manufactured sugar, but a Sugar Bounty Act increased the bounty to 6s. per ton, the sequel was that nearly 88 per cent of the 1908 crop was produced by white labour—under the Commonwealth the consumer was sustaining the sugar producer. Ministerial pressure was put on growers to pay adequate wages and concede reasonable working hours to their white employees, the consideration being that the bounty would not be removed with the removal of the competitive coloured labour. A Federal Royal Commission reported in 1911 that 94 per cent of canefields labour consisted of whites, the commission advised against continuing a bounty which was a gratuity to growers without effect in safeguarding the working conditions of millers' and refiners' labour. The bounty was removed, and control handed over to the state government, in 1912. The first sugar workers' strike had taken place in 1911, millworkers, field labourers and wharf labourers joining in turn in the effort to obtain an increase of wages. Non-unionists from Victoria and Tasmania—the 'Society of Free Workers'—were brought north as strike-breakers; but after six months' struggle a settlement was reached in August by which millworkers' wages were raised to the figure of 30s. per week 'and found' which they had claimed. Their working week was fixed at 48 hours, and the employers agreed that there should be no victimization of returning strikers. A few months later the Queensland Industrial Peace Act secured to field labourers in the sugar farms the wage scale which the Commonwealth Minister for Trade and Customs had laid down as a condition of bounty in 1907—22s. 6d. per week 'and found' in the off season, 25s. 'and found' during harvesting. All in all, the various situations of the sugar industry *vis-à-vis* the state typify very thoroughly, through the early period of the Commonwealth,

the sort of readjustment which government became prone to make between itself, the taxpaying community, the employers in industry, and the workers in industry, now that the general trend of prices was upward and now that Labour, disarmed on the industrial field in the 'nineties and armed since in politics, was again apt to show its teeth. Liberal ministries of the Commonwealth established, and Labour ministries maintained as long as the constitutional authority, the High Court of Australia, permitted, the principle that industrial capital investment should be protected by legislation, but on condition that the burden of protection should not be laid on the consumer or the taxpayer, unless 'industry' guaranteed protection of its workers' conditions and wages.

But before Australian economy could afford this 'new protection,' before this reinforcement of the principle of industrial arbitration was put forward, that economy had endured stresses which must be taken note of. These were stresses which had not been relieved by any attempt at redistribution of wealth by the state.

### iii. *Economic Crisis and Depression in the 'Nineties*

Government measures of emergency had to be taken (though government borrowing was not, as is sometimes suggested, to blame for the crisis) to meet serious developments in all eastern and south-eastern colonies, but especially in Victoria, as a result of the crisis which the colonial economy experienced early in the 'nineties. Crisis could not have been averted by any prior prudential action of these primary-producing communities, for the steep decline of export prices from 1891 was quite beyond their control or any influence of theirs. And severe economic depression in the middle and latter part of the decade could not have been prevented, for the great drought of 1896-1902 could not have been foreseen. What could have been controlled was the provision of facilities for an inordinate private capital import for investment and speculation; but such preventive steps could only have followed on pre-vision, many years before the critical event, of the likelihood of the steep world price fall. The inducement to private capital in the hands of overseas investors to enter Victoria, the principal scene of the economic setback of the period, was originally the Companies Act of 1864, by which banks of issue were authorized to make advances against land, and if the banks had not 'adapted themselves to the requirements of the country'<sup>14</sup> after the licence given them by this legislation, the agricultural settlement of Victoria, the measure of

14. H. G. Turner, general manager of the Commercial Bank of Australia, said to the Victorian Royal Commission on State Banking, 1895-96 (*Victorian Parliamentary Papers, Session 1895-96*, vol. iv, p. 385), 'Of course the banks had to adapt themselves to the requirements of the country.'

success obtained by the Land Selection Acts of the 'sixties, and, for example, the development of a dairy produce export trade, must all have been much qualified.

There were sound reasons why Victoria should have been singled out for a lion's share of the private investment capital which flooded in from the 'seventies, when the Commercial Bank of Australia, followed by other banks of issue, started to lend against land, using English as well as local deposits for the purpose. Some of these reasons were (1) the fact that Victoria, enriched by the gold and population won from the epoch of the 'fifties on, was, of all the colonies, best equipped with railway systems, irrigation systems, etc., to exploit its resources, (2) the high productivity and buying power of Victoria as shown in the statistics of exports and imports per head in the period of expansion in the 'seventies and 'eighties, with such special advantages as the colony's position as the leading gold producer in Australasia; (3) the creation of a comparatively large agricultural class in Victoria and their possibilities as borrowers, much enhanced by the act of 1864, and (4) the habitual export of much Victorian capital to the silver-lead enterprises at Broken Hill and the pastures in Queensland—a habit which gave outside capital an opportunity of initiating a land boom in farming and city and suburban property in Victoria itself. Subsequently, the excessive application of capital in Victoria led to the liquidation of much of it. This, and not government import of loan capital, caused crisis after a panic in the London money market in 1890, and after the rapid fall in prices began. For Victoria's total borrowings, by 1891, were nearly 20 per cent below those of less populous and less developed New South Wales, and the total Victorian borrowings in the 'seventies and 'eighties were 25 per cent below New South Wales borrowings. Moreover, two-thirds of the charge of the Victorian public debt was met by profits from railways, on which nearly 80 per cent of loan money had been spent, and other public enterprises. Excluding Western Australia, still an insignificant community, the Victorian public debt per head was lowest, when the Victorian land boom was at its height, among the colonies. But about that time (1889) Victorian bank advances passed the £100m. mark, or reached a figure more than twice as great per head of population as the aggregate of bank advances in 1929, when another boom neared collapse. This lavish lending had been made very largely by the Associated Banks, the banks of issue (a number of which were presently to be closed), but a less solid-seeming type of institution was also prominent in the field. This was the deposit-receiving land bank. One of these institutions, the Premier Permanent Building Society, failed in 1889 for

£500,000, but it was not until mid 1891, when the full effects began to be felt of the withdrawals of overseas depositors' money, that land bank failures became general. Their business was not confined to Victoria, though most of it was done there—twenty deposit receiving land banks failed in Sydney between July 1891, and March 1892, and twenty one in Melbourne. The 41 banks were liable for a total of £25m (of which £14.6m represented deposits), and the £25.2m of assets which they showed against their liabilities included £17.1m of advances. In Victoria, these land companies had £14m out on loan when their deposits stood at less than £11m, in New South Wales the figures were £3.1m and £3.6m respectively.<sup>15</sup> The uneasiness which had been felt in July and August 1890, when many failures occurred in that other great centre of British speculation, Argentina, and when the Maritime Strike disrupted the business of Victoria and New South Wales, had been intensified when news came of the market panic in London after the Argentine failures and the suspension of payments by the great financial house of Baring in November, it grew as motions for the adjournment were moved in the Victorian Legislative Assembly on the question of increasing unemployment,<sup>16</sup> as the 1890-1 drought continued, and as news came of the virtual stoppage of the Queensland pastoral industry. In July 1891, just after the settlement of the six months' shearing dispute in Queensland, the land banks began to go.

Next month other bank failures began, with the suspension of payments by the old Bank of Van Diemen's Land, the British Bank of Australia, and the Anglo Australian Bank. In March 1892, the Mercantile Bank of Victoria suspended payments, the first of the Associated Banks to do so. Runs on the banks' deposits were becoming commonplace, and insolvencies in 1890-2 were 2,600 in number, with aggregate liabilities of £6½m. In all the colonies in 1891, more than 2,400 insolvents were recorded, with liabilities totalling more than £3m. Everything was slumping. Taxation per head in Victoria fell off from £3 9s 8d in 1889, to £2 14s 5d in 1892, and in a similar comparison customs revenue went down half a million pounds (or about one sixth of total revenue). At the beginning of 1893 the Federal Bank suspended payment, and on 5 April the pioneer in the land mortgage business, the Commercial of Australia, which was one of the largest and best regarded of Victorian banks, started a real panic when it closed its doors.

<sup>15</sup> *vide Australian Insurance and Banking Record* April and May 1892

<sup>16</sup> According to the Year Books there were more than 23 000 unemployed in Victoria in 1891 and only a thousand fewer in New South Wales. For the rising of the unemployment questions in the Legislative Assembly *vide e.g. Victorian Votes and Proceedings (Assembly)*, Session 1890 vol. 1 pp. 80-87 Session 1892-93, 1, pp. 31-251

Twelve of the great banks of issue in the three eastern colonies followed suit within little more than a month, and went into 'reconstruction.' They were liable, at the moment of suspension of payments, for deposits to the value of £72m., nearly one-third of which was due to depositors overseas. The London, the English, Scottish and Australian, and the Australian Joint-Stock were among the most important of the twelve, which numbered five Victorian concerns, two New South Wales, three Queensland, and two British. The aggregate of their liabilities was £103·3m., or £11m. more than the aggregate liabilities of the banks still open. (Of the suspended banks' deposits, £10m. was at current account, and £7m. was government money.) In reconstruction, the dozen banks wrote off £1·1m. of their £8·3m. aggregate paid up capital and called up £6·2m. fresh capital, including £1·6m. from shareholders on London register. After reconstruction, the aggregate of their paid up capital was £13·44m., compared with £8·34m. when they closed their doors. In the first instance, therefore, depositors, including governments, had borne the brunt, in the second instance shareholders found themselves heavily liable. The reimbursement of depositors whose funds were frozen in the suspended banks was undertaken by various means—the conversion of deposits into bank preference shares, the transfer of current accounts to fixed deposit, repayable by the bank over long periods extending into the twentieth century, and so on.<sup>17</sup>

Most of the Australian bank note circulation was the liability of the suspended banks. This did not cause particular perturbation in Victoria and South Australia, where the notes were a first charge on assets, and the Victorian government took no immediate action other than to declare a five-day 'bank holiday' from May 1 (a panic measure which several of the banks refused to comply with). But notes were not a first charge in New South Wales and on 3 May parliament there hurried through a Bank Issue Act providing that notes should be a first charge against assets, and declaring to be legal tender, for retirement within twelve months, the notes of suspended banks having adequate reserves. The Current Account Depositors' Act passed three weeks later, a very remarkable measure, empowered the issue of Treasury notes up to a total of £2m., to be distributed to bank depositors whose money at current account was frozen, in return for their deposit receipts, up to 50 per cent of the value of their deposits. The Treasury notes (the first *pro tem.* inconvertible notes issued in Australia) were declared legal tender for a period of five years, at the end of which

<sup>17</sup> For a good account of the bank failures, *vide* Victorian Year Book, 1893, *Appendix on the Financial Crisis*.

time they might be exchanged for gold at the Treasury. Actually, such notes were issued to a total of £358,490, and within six months practically all of them had been redeemed by the suspended banks, which withdrew them from circulation as their own advances trickled back. Queensland measures required the suspended banks to pay note holders on demand, in coin or Treasury notes which would be advanced by the government. Treasury notes, also inconvertible for the time being, were authorized in Queensland, up to £1m total value. These were based on a gold reserve amounting to one third of their face value, and interest was payable on them, as bonds, at 4 per cent per annum during the ten years fixed as the limit of their currency, in an emergency the notes could be declared legal tender. As the note duty on bank notes was now raised from 3 per cent to 10 per cent, the circulation of Queensland was soon virtually a government prerogative. As a further measure of general relief, the Queensland government agreed to forgo its claim to preferential treatment in respect of the £1m of its funds held by the Queensland National Bank. On 27 May 1893, a conference of premiers was held in Melbourne and resolutions adopted regarding uniform banking laws.<sup>18</sup>

Recovery in Victoria from the immediate effects of the bank failures was assisted by the shrinkage of the volume of imports, and the augmenting of exports after a fair season: the trade account for the 1893 twelve-month (the financial year was 1 July to 30 June) being balanced, with £13 308m exports against £13 284m imports. The yield of gold went up as the city workless fossicked about old mines and washed sand in the creeks, and as the new frozen meat and dairy produce export trades contributed their increasing quota of goods for sale overseas. A conference of bank managers met in Sydney in 1895 to consider, *inter alia*, the defects of the old system of the Australian banks of issue by which no gold reserve had been earmarked against bank notes in circulation.<sup>19</sup> It recommended government note issues with a 25 per cent gold backing. In Victoria at this time, the Royal Commission on State Banking recommended the establishment of a state bank in the directorate of which 'gentlemen connected with other financial institutions' should not be represented. It recommended, as well, the reconstructive step of instituting a state *crédit foncier* system for assisting primary producers, in lieu of the private banks' dangerous mortgage method which had caused such dislocation in

<sup>18</sup> For the experience of individual banks R. L. Nish's Year Books.

<sup>19</sup> cf. evidence of the manager of the Union Bank before the Victorian Royal Commission on State Banking (Victorian *Parliamentary Papers* Session 1895-96 vol. iv p. 264). We have no special reserve against notes: our general reserve against all liabilities is about 4s. 6d. in £1.

the immediate past<sup>20</sup> The State Bank did not come into being, but the system of state advances to settlers did. However, the sustained drought made emergence from depression difficult, and the number of unemployed in Victoria was almost as great in 1900 as in 1891, though the unemployment figure in New South Wales, where there was drought also, was less than half the 1891 figure.<sup>21</sup> Victoria lost 104,000 population in the nine years 1891-8 (excess of emigration over immigration), while New South Wales gained 35,000 souls by immigration. The leading position in Australian economy passed from Victoria back to New South Wales. Perhaps a fair commentary on the issue is that made by W. G. Brown, a former bank manager, in evidence before the Victorian State Banking Commission.<sup>22</sup> He said,

In former periods of the kind the demand was met by selling up numbers of our enterprising citizens—enterprise induces debt—but after the last boom the volume of the demand was too enormous to be dealt with in that way and consequently the monetary institutions themselves fell, bringing ruin, disorganization and misery. A small committee of directors and managers controlling our reserves, our rate of interest and our credit, come to possess a more absolute jurisdiction over our very means of livelihood, our savings and our monetary future, than the Government. The only remedy (which bank policy) can itself directly and indirectly apply is reconstruction, wholesale dismissal of workers, reductions of wages, and suchlike make believe.

Where the banks had failed as managers of a *crédit foncier*, as financiers of small settlement, governments now assumed some of the burdens, and for more than a generation to come they would by devising Advances to Settlers Acts, Closed Settlement Acts and the like, encourage the extension and intensification of farming, especially wheat farming. They, and the farmers whose settlement they managed, would from time to time in periods of low export prices find themselves in financial straits. However, in the 'nineties all colonies legislated in this field, forced thereto by the private banks' failure to solve the problem, how to make money by lending it to farmers who would not be able to repay it, or even pay interest on it, in a world whose system of exchange would work only sometimes.

<sup>20</sup> cf. Report of the Banking Commission p. 1. It was demonstrated that while prices of produce during the past three or four years had fallen fully 50 per cent. the high rates of interest charged by banks have been maintained, the average bank rate for overdrafts remaining all through this period at 8 per cent. The depression of land values together with the necessities of the bank have brought about a severe pressure on mortgagors.

<sup>21</sup> cf. Report of the Board of Inquiry on Unemployment (Victorian *Parliamentary Papers* 1900 ii pp. 343 *et seq.* especially p. 348). A Victorian Government Bureau of Employment was established in 1894 and was abolished a year later. New South Wales established an Unemployed Advisory Board. Victorian unemployed numbered 20,000 as the century closed. N.S.W. unemployed 10,000.

<sup>22</sup> Report p. 421.

iv. *Social-Economic Factors Making for the Federation of the Australian Colonies*

Long before the federation of the Australian colonies in a Commonwealth of sovereign states was brought about in 1901, many diverse influences had been making for such union. By no means all of these factors were economic factors, but in one form or another most of them were associated with an economic motive. Quite early in the history of the colonies as self-governing communities there had been advocacy, both in Australia and in Great Britain, of a federation as a means of getting over the difficulties inevitably created by the juxtaposition of half a dozen similar communities, each with its own tariff and defence arrangements. But it was not until the colonies had grown, by the 'eighties, to take a vital interest in territories external to their own—it was not, that is to say, until an Australian imperialistic interest emerged—that something like unanimity in a desire for Federation was shown, at any rate by colonial governments. The occasion was the Queensland (which became a general Australian) movement, unsuccessful in the outcome, to induce the imperial government to annex the whole of the unclaimed portion of New Guinea. Representatives of the seven colonies met at Sydney in November 1883, to consider the position regarding annexation. They included the premiers of New Zealand and the five mainland colonies, and the Colonial Secretary of Western Australia (which had not responsible government until 1890). Their resolutions included one upon the desirability of a Federal Union, as a means of speaking with one voice on such questions as that of New Guinea.<sup>23</sup> Again, the labour troubles from the spring of 1890, in which individual colonial governments—but *intercolonial* employers' organizations—took measures against intercolonial trade union organizations, must have made some public display of the difficulty of uniform inter-governmental action, though it was probably merely by coincidence that in March 1891, as the Pastoralists' Federal Council of Australia declared its all-Australian policy against trade unionism, the National Australasian Convention of politicians at Sydney unanimously adopted the draft of an all-Australian constitution.

Also, the labour troubles, which in this same year of 1891 had the incidental consequence of laying the foundations of an Australian Labour Party, when thirty-five Labour members were returned to the Legislative Assembly in New South Wales, may have strengthened the pro-federation forces in another way. For the prime

23. Report of the Proceedings of the Intercolonial Convention, Sydney, November-December 1883; Sydney, Government Printer, 1883—pp. 3-12 for resolutions.

advocates of the Commonwealth idea were the liberal and progressive personages who, in fact (from the time of Edmund Barton's first Commonwealth ministry) would control the political machinery of the Commonwealth until 1913. If federation came, such people might be expected to control the disposition of the coercive forces of organized society, and the states might discard their strike-breaking rôle. Surely Labour politics could so influence a Liberal Commonwealth leadership as to prevent official suppression of strikes by force, and would not that be a great gain? It may have been with some such notion in mind that Labour opinion generally was not unfavourable to federation. If so, Labour opinion was deluded in one important particular, for within a very few years of federation the armed force of the states, as distinct from the armed force of the state—the Commonwealth—was being used against strikers and locked-out workers, the Commonwealth kept the ring.

Always the questions of concerted defence against outside attack, and of the desirability for most interests of a uniform Australian customs tariff, generated power for the federal movement, and the question of a common immigration policy had been a vexing one since in the 'fifties the first Immigration Restriction Act (the Chinese Immigration Restriction Act of Victoria, 1855) had been made nugatory by the entrance of prohibited immigrants into Victoria by way of other colonies' territory. In June 1888, all colonies adopted an agreement, by conference, to adopt a common policy towards Chinese immigration. The other major immigration problem, that of the Kanakas, had to await federation for its solution, and it is noteworthy that one of the first measures enacted by the new Commonwealth Parliament in 1901 was a measure to restrict immigration. Again, the strong manufacturing interest in Victoria pushed for federation as a lever to free the Australian market for its goods by displacing the intra-Australian tariffs by which other colonies sought to protect their manufacturing industry, usually less developed than that of Victoria. But in spite of these powerful interests the approach to federation was a slow affair. This may be explained by reference to a number of considerations, but probably the basic explanation of the delay, (which explanation is also the proximate economic 'cause' of the act of federation itself) is the deep depression of the 'nineties. It may have seemed, in 1891, when Sir Henry Parkes was arguing for federation on the ground of the necessity of a common defence mechanism, that the issue was, in the last resort, incontestable. But, after economic crisis which supervened, all colonial parliaments were for years concerned with little but economic emergency legislation. 'It was, in fact, the lean years which gave Australia the serious call to set

her house in order,' Moore writes,<sup>24</sup> '... In regard to the tariff a *modus vivendi* became possible through the acknowledged necessity of developing the inter-colonial trade.'

It is Moore's opinion, also, that Labour's opposition to every practical federal scheme<sup>25</sup> was a retardant. But he does not, perhaps, appreciate sufficiently the tactics which the Labour Party used to carry out its strategy of 'resisting all schemes which "did nothing for the people".' These tactics called for the Labour support of only those measures in consideration of which advantages for 'the people' were conceded. There was no considerable Labour opposition to the idea of federation, but it was not a cause in which the 'support in return for concessions' tactics of Labour could readily be brought to bear. But working people, like a great proportion of the general population, were not much interested in federation<sup>26</sup>—the vote in the June 1898 referendum was only from 40 to 50 per cent of enrolled electors, and in the June 1899 referendum, which decided the issue, from 36 to 67 per cent. Nevertheless the anti-federation vote in 1899 in Victoria, where there were more than 60,000 workers in manufacturing industry, was only 9,800 against 152,600 for federation, in a poll of about two-thirds of the electorate. Federated Australia was governed from Melbourne from 1901 until 1927, when Canberra became the seat of government. Melbourne was the centre of management of most of the rich Anglo-Australian capital interest revolving about the B.H.P. Co. Ltd., and after federation the head offices of others were transferred thither from London.

#### v. *The New Protection, and Labour Party Legislation*

What would continue to be the characteristic preoccupation of Commonwealth politics—that is, the encouragement of native industries, primary and secondary, by bounties, excise rebates, protective tariffs, fixed 'home consumption' prices, and so on—manifested itself early in the history of the new federation. The sugar question was a complex of the social-economic problem created by the importation of coloured labour, and the economic problem of an industry which, after the exploitation of processes for making sugar from beet (in Europe from the 'eighties), found its markets restricted and ruling prices drastically reduced. On the other hand, the problem of protecting local manufactures against overseas competition seemed a simple one, however serious. The principal manu-

24. *The Constitution of the Commonwealth of Australia*, by W. Harrison Moore, 2nd ed., p. 59, Melbourne, 1910. The second part of the extracts cited is from p. 63.

25. *ibid.*, p. 62.

26. In Coghlan's fourth volume there is an excellent review of Events Leading up to Federation of Australia in Part VII, Chapter X.

facturing centres were Melbourne and Sydney. In both cities, the Protection v. Free Trade issue was hotly argued, especially after the visit of Henry George to Australia in the 'eighties. Indirectly his advocacy was no doubt responsible for much of the legislation, after the principle of a graduated tax on land, which crept into the statute books. Thus, his leading disciple in Australia, Max Hirsch, argued in the 'nineties that a protective tariff in Victoria had been a positive hindrance to the advancement of manufactures there, by comparison with the progress of free trade New South Wales. According to him,<sup>27</sup> the extent of employment in manufacturing industry fluctuated as follows in the two colonies from boom to the depth of economic depression.—

	1889	1890	1891	1892	1893	1894
Victoria	59,000	58,000	53,500	46,000	40,000	41,300
New South Wales	45,500	45,000	46,000	44,000	39,000	42,750

His statistics, where they can be checked, do not altogether tally with those of Sir George Knibbs.<sup>28</sup> And in any case they may do no more than indicate that the effects of depression were more damaging in the one colony than in the other, a general situation which was, as we saw, derivative from incidents other than the Victorian habit of protective tariff legislation. Others of Hirsch's figures, however, draw attention to an unquestionable consequence of the fiscal policy of Victoria, stress on cheap-labour industries and female employment. Hirsch writes that whereas in 1895 as compared with 1889 the employment of males in Victorian factories fell off from 50,854 to 33,049 (35 per cent), male factory employment in New South Wales fell off only from 41,299 to 39,529 (4 per cent). Female factory employment, on the other hand, fell off according to his figures from 4,265 to 3,222 (24 per cent) in New South Wales, from 8,372 to 8,224 (18 per cent) in Victoria. That is to say, not only did Victorian factories employ a much greater proportion of women than did those of New South Wales, but in depression the direct burden of unemployment was borne almost entirely by men in Victoria.

Until 1896, as far as Victoria and New South Wales are concerned, and until a 1902 decision of the Conference of Statisticians as far as the rest of the states are concerned, there was no uniform

<sup>27</sup> *The Disastrous Effects of Protection*, p. 5, Melbourne, Free Trade Democratic Association of Victoria, 1896 (copy in *Political Economy Pamphlets*, vol. 90, in the Public Library of Victoria) cf. *Commonwealth Year Book*, No. 1.

<sup>28</sup> In *Commonwealth Year Book*, No. 6.

definition of 'factory',<sup>29</sup> and therefore no reliable comparative statistics. However, the Victorian and New South Wales figures, which are available, show that the number of factories in Victoria increased from 531 in 1861 to 2,488 in 1881, 3,141 in 1891, 3,249 in 1901, and 5,216 in 1911, while in New South Wales the corresponding increase was from 601 to 2,961, 3,056, 3,367, and 5,039. From nearly 20,000 in 1871 and 53,500 in 1891, employment in Victorian factories rose to 66,500 in 1901 and 111,900 in 1911. In New South Wales there were 13,500 factory workers in 1871, 50,900 in 1891 (a figure which, if he had had it, would have reinforced Hirsch's argument just quoted), 66,100 in 1901, and 108,700 in 1911. In 1907 and 1911, according to Knibbs's statistics prepared in 1912, Australian manufacturing industry still preserved its early character, i.e., it was 'domestic,' in the sense of being tied to primary production and the immediate needs of consumers. Thus, at both dates mentioned, the greatest number of manufacturing establishments were in these departments of industry in this order—(1) clothing and textile fabrics, (2) food and drink, (3) metal works and machinery, (4) wood-working, (5) vehicles and fittings, saddlery and harnesses, (6) books, paper, printing, engraving, and (7) the treatment of raw materials, the product of agriculture and pastures.

The industries in which 'sweating' was a prevalent evil, long after the early enquiries and remedial legislation in Victoria in the 'eighties and 'nineties, that is to say, the clothing and allied trades, were represented in New South Wales in 1911 by 981 factories, in Victoria by 1,407. Female employment was (and is) concentrated chiefly in the clothing and textile manufacture, food and drink, and paper industries (first, second and sixth respectively, in the list above), though only in the textile and clothing industries were most of the operatives women and girls.

It was this not inconsiderable manufacturing industry (which, even in 1893, contributed about 30 per cent of the value of all production in Victoria, and about 20 per cent of New South Wales production) that the Liberal Commonwealth ministries, supported by a Labour Party which had lopped off its free trade wing, and Labour ministries, proceeded to legislate for by the devices of the 'New Protection.' These devices were to protect the farmer only to a small extent (by, for instance, requiring implement manufacturers to confine their profits within bounds, if they were to be eligible for a rebate of excise duty, under the Excise Tariff Act, 1906, which was later declared invalid by the High Court). They were, above all, to protect the manufacturer and his employees. The

<sup>29</sup> *ibid.*, in 1902 a factory was defined as a place in which at least four persons were employed or where power was used in a process of manufacture

well-established trade union dogma which stigmatized monopolies as bad *per se*, was evidently an influence on this sort of legislation. It appears in the Industries Preservation Act (No. 9 of 1906), which laid a penalty of £500 on 'any person who . . . engages in any combination, in relation to trade or commerce with other countries or among the States . . . to restrain trade or commerce to the detriment of the public' or 'to injure or destroy by means of unfair competition any Australian industry, the preservation of which is advantageous to the Commonwealth, having due regard to the interests of producers, workers and consumers' (Part II, Section 4 (1)). Even the first Customs Act (No. 14 of 1902) which was the work of the ministry of Sir Edmund Barton appeared to imply the protective principle by placing higher duties on woollen goods, agricultural implements, galvanized iron, and other articles of Australian manufacture, than it applied to most goods, it was not a mere revenue tariff. Deakin's 1908 tariff (Customs Tariff Act, No. 7 of 1908) imposed much higher duties on woollen goods, iron and steel, agricultural machinery, etc., and gave a British preference. In the same year the Manufactures Encouragement Act (No. 26) gave bounties on pig iron, puddled bar iron and steel, to be payable until 30 June 1914, when, it was envisaged, the states would take over all the iron and steel works. Indeed section 6 of this act would provide, for the Socialist, a striking example of that 'dreadful monotony with which promising reforms enacted by Australian Parliaments' go through, in Meredith Atkinson's words,<sup>30</sup> these stages.—'the idea was excellent in its conception, efficient in its earlier administration, and unfortunate in its ultimate entry upon the slippery slope of political interference.' (But it was not 'political' interference, in Atkinson's sense, which brought the nationalization of heavy industry to nothing, the Broken Hill Proprietary Company's steel-works at Newcastle were completed about the time the bounties were to be withdrawn and the states to take over.)<sup>31</sup> Apart from iron and steel bounties, and sugar bounties, however, the habit in which the Commonwealth became confirmed, of giving bounties to encourage production of various kinds, dates from the Bounties Act 1907 (No. 12). This measure, like the Sugar Bounty Act 1903, and the Manufactures Encouragement Act 1908, required the producer to satisfy certain conditions with regard to employment, before he could be eligible to receive bounty. It was at the minister's discretion to withhold the bounty, or part of it, if in his opinion

<sup>30</sup> *vide* his Foreword to *The Agricultural Bank*, by Gordon Taylor, p. vi, Melbourne, Macmillan, 1921.

<sup>31</sup> Section 6, it should be understood, did not *require* the States to take over works. It required those receiving bounty to give their bond to the Minister that they would, if ordered, transfer their property to the State in which they resided.

the employer-producer paid wages below the standard rates. The act empowered the payment of bounties in respect of flax, jute, rice, rubber, raw coffee, 'tobacco leaf for high-grade cigars,' dried fruits, etc. These are all commodities which, it was apparently believed at that time, Australia could produce in quantity. (In 1912 a Bounties Act, No. 34, repealed section 6 of the 1907 act, relating to ministerial discretion of judgment in determining whether an employer paid standard rates. The new section provided that the minister might make application to the President of the Commonwealth Court of Conciliation and Arbitration, or to a state industrial tribunal, etc., to proclaim what were fair and reasonable wages in certain industries. Such an authority might then use all the powers given to the President of the Arbitration Court by the Excise Procedure Act (No. 1 of 1907), section 3 of this act provided that the president should 'act according to equity, good conscience and the substantial merits of the case, without regard to technicalities or legal forms.')

What with industrial arbitration, the suppression of monopolies, protective tariffs, and legislation which would make it unprofitable to sweat the workers, Australia was to be made a garden in which coffee, rice and cotton grew freely, in which enlightened middle-class Liberalism and moderate Labour walked hand in hand with the President of the Court of Conciliation and Arbitration, smoothed by airs played by military band instruments, duty free under the tariff of Nineteen Hundred and Seven. But there was a snake in Eden: the people did not own the land. In the 'nineties, South Australia, New South Wales and Queensland, inspired by Henry George, had taxed unimproved land values, South Australia and New Zealand had taxed unimproved land according to a graduated scale by which great owners would pay more per unit than small, as early as 1877 Victoria had taxed all holdings of more than 640 acres, in an attempt to break up great estates, and soon after, trade union congresses were clamouring for the nationalization of the land. But the Liberal legislation before 1901 had proved futile as a means of parcelling up the land among the people, and the voice of Labour had not been heard, still, Bernard Shaw's proletarian 'wandered from snow line to sea coast in search of land, and found none that was not the property of someone else.' Something had to be done about him, and when the first Labour government which would retain office throughout a full parliamentary period came to power in the Commonwealth in 1910, the attempt was made. Andrew Fisher's second ministry brought down in that year a Land Tax Bill which was designed to break up large estates. 'Labour has captured the legislative machine of the Commonwealth,

and is using it almost exclusively for its own class purposes.'<sup>32</sup> G. A. McKay, Federal Commissioner of Land Tax after the bill became law, said of its object, 'It is considered to be opposed to the best interests of Australia to permit large aggregations of land in the hands of a few, that are fit for occupation by the many. The expectation of the authors of the act was that those subjected to the largest tax would be induced to escape the burden by disposing of their lands.'<sup>33</sup> The act (of November 1910, No. 22) imposed a tax of a penny in £1 (twopence in the case of absentee owners) on the unimproved value of all estates valued at more than £5,000 and owned by residents, and on all estates owned by absentees. The rate of tax rose uniformly by 1-30,000th of a penny (1-18,750th of 1d., by the amended schedule of 1914) with each £1 of value. Resident-owned estates valued at more than £75,000 would pay ninepence on each £1 value above that figure, and absentee-owned estates valued at more than £80,000 would pay tenpence in £1 for each £1 value above £80,000. The act, which had very little effect in breaking up large estates, consistently brought in a revenue of more than £2m. per annum after the 1914 increase of tax.

But whatever the effect of the federal land tax, designed to be a penal measure it did represent the culmination of a movement in Australia of many years' duration. It was part and parcel, too, of the body of legislation by which the philosophy of what Tom Mann called the 'Lib-Lab' element expressed itself. Then, in 1911, before the disappearance of Labour from legislating in the Commonwealth, the Commonwealth Bank Act was passed by Fisher's majority. This again was a belated sequel of movements and claims which had been put forward in the 'nineties, when the parliament of Queensland had instituted a state currency by putting a 10 per cent tax on bank notes, and when in Victoria a Royal Commission had recommended the establishment of a state bank over which the trading banks should have no control, and which should devote its profits to the liquidation of the public debt.

King O'Malley, the Labour politician whose efforts resulted in the founding of the Commonwealth Bank, had advocated a state bank for South Australia when, during the late 'nineties, he sat in the parliament of that colony. After federation, he sounded the various political groups on their attitude towards the proposal to establish a national bank, and joined the Labour Party because

<sup>32</sup> *Argus* newspaper, Melbourne, 27 August 1910.

<sup>33</sup> *vide* Commonwealth *Parliamentary Papers*, General (Finance), 1923-24, vol. III, Fourth Report of the Royal Commission on Taxation, p. 181.

it alone showed any sympathy with the idea.<sup>34</sup> However, the first Labour government (led by J. C. Watson, in 1904) refused to include the bank proposal in its 'platform.' He achieved the inclusion of the proposal in the Labour platform in 1908. After that, he worked unremittingly to bring Fisher and his ministers to the point of bringing down legislation to effect something in which they appear to have had but a perfunctory interest. 'I am a believer in private enterprise,' O'Malley had to put it on the eve of success, 'and only desire to utilize the powers of the State in order to help it . . . I am the Hamilton of Australia. He was the greatest financial man who ever walked this earth, and his plans have never been improved on . . . I would put our bank beyond the control of the politicians. I would place it in the hands of a despotic Scotchman . . . because a Scotchman is the only person who can make money without money.'<sup>35</sup>

When O'Malley's proposals were at length put before parliament, in 1911, the Prime Minister, Andrew Fisher, announced some interesting statistics of the affairs of the twenty-two Australian trading banks. The aggregate of their paid up capital was £12 6m., of their dividends and bonuses for a year, £1 6m. (13 per cent.); of the great banks, the New South Wales paid a dividend of 17½ per cent, the Commercial of Sydney, 25 per cent.<sup>36</sup> The Commonwealth Bank, with £10,000 ready cash, entered this rich field in 1912, 'to make money without money.' First, however, some preliminary legislation cleared the way. The Australian Notes Act (No. 11 of 1910) authorized the issue of Commonwealth notes and forbade the bank circulation of state notes after six months from the commencement of the act. The Bank Notes Tax Act (No. 14 of 1910) imposed a 10 per cent tax on bank notes, thus effectively retiring them from circulation. In November 1911, Fisher introduced the Commonwealth Bank Bill, No. 18 of 1911, which became law on 22 December. Fisher said, in bringing the measure forward, 'For over twenty years, to my own personal knowledge, the question of a State bank had been prominently before the people of Australia. The proposal has had the approval of at least one great party in every State, and those who are contending for a State bank have, as circumstances have developed, proved their case'<sup>37</sup> But 'their case' was not, it appears, for a national bank which would compete with the private trading banks, nor was it a case for public control of credit. 'It

<sup>34</sup> *vide Australia's Government Bank*, by Leslie C. Jauncey, pp 47 *et seq.*, London, 1933

<sup>35</sup> *Commonwealth Parliamentary Debates*, vol 63, pp 3988, 3991

<sup>36</sup> *ibid.*, vol 62, pp. 2654-2660

<sup>37</sup> *ibid.*, p 2644.

is not the desire of the Government,' Fisher said, '... to try to cause the transfer of accounts from one institution to the other. In a country like our own... there is ample room for the establishment of another bank. A new bank has not been established in Australia for a long time.'<sup>38</sup> It was critics of the Labour bill, rather than supporters of it, who pressed for the equipment of the Commonwealth Bank with central bank functions, Deakin said that the Labour Party had introduced their bill in order to forestall O'Malley, who would have brought forward a stronger one.<sup>39</sup>

Section 7 of the act which was passed invested the Commonwealth Bank with all ordinary banking powers, but section 8 specifically prohibited the bank from issuing notes; the Treasury would discharge this function. Section 12 entrusted the management of the bank to a governor, who, with a deputy governor, would be appointed for a seven years' term. Section 27 (3) provided that the bank's reserve fund, when it was established, might 'be used for the repayment of any money advanced to the Bank by the Treasury, or in redemption of the debentures or stock issued by the Bank, but if the Fund exceeds the amount of debentures or stock in circulation the excess may be used for the purposes of the redemption of any Commonwealth debts or State debts taken over by the Commonwealth.' (But the power given by section 53 to the bank to issue debentures was not used. The bank used the Treasury's initial advance of £10,000, but never afterwards went to the government for assistance.) Denison Miller, the first governor, left the service of the Bank of New South Wales and opened the bank for business in Victoria on 15 July 1912. At first, post offices were used to house branches. By 1919 the bank's operations had returned a total profit of £1·85m. The bank was given the administration of the Commonwealth note issue in 1920, and in 1924 the Bruce government amended the act so as to take control of the bank from the governor and vest it in a Bank Board composed of representatives of industry.<sup>40</sup>

38 *ibid.*, p. 2648.

39. *ibid.*, p. 3039.

40. In 1945 the act was further amended so as to abolish the board, return control of the bank to a government-appointed governor, and extend its banking functions

## CHAPTER VIII

### THE MODERN AUSTRALIAN COMMUNITY

- Introductory
- i. The Economic Framework
  - (a) Pastoral and Agricultural Production
  - (b) Mining and Manufacturing (including Heavy Industry), and Public Utilities
- ii. The Financial Basis
- iii. Markets
- iv. The Worker in Industry
  - (a) Wage Standards and Their Regulation
  - (b) The Trade Union Movement
- v. The Role of the State

#### *Introductory*

WOOL was the principal item of Australian export in the season of 1938-9, as it had been in the season of 1834-5 when the financial basis of modern Australia began to be laid by English capitalists and Australian producers; and the New South Wales, Commercial of Sydney and Australasia banks were still open for business, some few public buildings that Macquarie had raised a hundred and twenty years before were still undestroyed. But in most respects British Australia gave more marked evidence of the passage of more than a century, for the national economy which had never sloughed its covering of wool had in some other particulars been made over again and again. For instance, there had been two widely separated epochs, about 1788-1825 and 1911-35, when public enterprise had occupied a relatively large portion of the economic field, but just as the early public agriculture, depasturing, shipping, coalmining, brickmaking and woollens manufacturing had been brought to an end when their persistence had begun to vex private enterprise, somewhat similarly many of the more numerous activities of the state in the twentieth century were summarily disposed of after it had appeared that they limited or might limit the scope of profit-seeking private enterprises. In that great area of the productive field upon which the state had at no time intruded, there had been recurrent phases also. Gold had been discovered in mid-century, and for a while had dwarfed wool in the export figures, and half a century later new goldfields had yielded still greater production than the fields of the 'fifties. (But in the twentieth century decade when the Western Australian mines produced

more gold than had been got in Australia in any previous decade, the wool clip was worth twice as much as the gold yield.) There had been a boom in base metal mining in the 1840's, and again in the 1880's and 1890's much Australian and British capital had been diverted from the pastures to the (silver-lead) mines. (But forty years later, the value of a year's production of silver, lead and zinc from all the mines of Australia was not so much as that of eighteen months' output of the parent B.H.P. mine alone in 1891-2.) There had been two similar phases in that part of the productive field, too, in which the state had legislated to establish one class of private entrepreneurs at the expense of another for many years after 1860, the colonial parliaments had tried to settle small agriculturists on Crown lands claimed by pastoralists, and from the 1890's the governments had tried again. But at the close of the eighty years, there was but one farmer or farm worker in an average dozen bread-winners, where at the close of the first forty years there had been one in seven. Wool remained an undiminished factor while other phenomena made the rounds.

But great new industries had been got under way, and had progressed faster than had the wool-dominated production as a whole: closer settlement of dry areas had raised the contribution of agriculture to the total value of production from 17 per cent in 1906, when the public schemes were being put in operation, to 21 per cent average for the 1920's and early 1930's, and attention to dairy farming and the marketing of dairy produce had resulted in increasing the proportion of dairy and farmyard produce from 9 per cent to 12 per cent, the forests and fisheries continued to yield about 3 per cent of the value of all production, but manufacturing now contributed somewhat more than a third of total value of production, compared with somewhat more than a fifth in 1906. On the other hand, the pastoral contribution had dropped from nearly a third to a quarter, and the value of minerals won, from 18 per cent of the whole to 5 per cent.

Another feature of the whole spectacle was that long before the 1930's Australian enterprise had taken an imperial turn: Australia, the great importer of British capital, was pouring capital and technical personnel into the tin mines of Malaya and the canefields of Fiji and the goldfields of New Guinea, and political control of part of this little economic empire had been obtained. As for the outgoings of Australian produce, in the 1930's League of Nations tables showed Australia among the first half-dozen producers for export, relatively to population; and comparing 'real' value of production per person engaged, i.e., value measured in terms of retail purchasing power, in the 1930's the Australian producer

turned out above 20 per cent more than he had in 1906 or 1908, when the Commonwealth Statistician had claimed that in the value of its production per inhabitant, the Commonwealth surpassed any other country for which records were available. Valuable markets had been developed in the Far East, and in the late 1930's in England itself, for the products of Australian blast furnaces.

Surveying the twentieth century general development up to 1940, however, what characterizes Australia peculiarly is not its growth as a producer and exporter of food and clothing materials, iron ore and steel, or the concentration of a substantial (still largely English) capital in steelworks, or its achievement of a sugar empire. A special interest attaches to recent Australian development not so much by reason of these great accomplishments as because of a remarkable change in a related sphere—that is, the bearing of public enterprise on private enterprise. This change, which has something of the character of a retreat, became perceptible shortly after the 1914-8 European war, and became more and more marked during the next twenty years. After the early industrial activities which the penal governments had engaged in perforce, the responsible governments in Australia had attracted attention abroad by their experiments in public ownership and operation of railways, and in the disposal of the Crown lands. The circumstances of Australia had been such that it was as obligatory on the democratic governments to undertake these 'developmental' responsibilities, as it had been obligatory on Phillip and Macquarie to clear the road for private enterprise, by public activity, in the first generation. But afterwards, taking their rise in the 'nineties, systems like public supervision of labour relations in industry, and the institution of public financial and industrial undertakings, and at length the attempt at the New Protection and public competition with private enterprise in production, had deepened an impression that an experiment in state control or modification of capitalism was being pursued in Australia. Even after the 1914-8 war, Labour governments in Queensland and New South Wales, with state mines and factories and stock stations and shops, even a system of family endowment, seemed to be going further towards a state-controlled capitalism. But before the 1930's were out, state intervention in the economic field was clearly by no means the force which the French official observer Métin had seen gathering when he wrote, about 1900,

South Australia lends money to the members of village communities and to lessees of 'blocks' . . . Victoria advances money to establish the unemployed on the land, and to establish creameries, butter factories and other co-operative enterprises. Queensland allows advances to small sugar producers' co-operative mills. . . . Once the land of wool and gold, Australia has set itself to producing meat, butter and cheese, fodder, wheat. The area under crop

is extended, the number of farmers mounts, and large owners find more profit in subdividing their holdings for sale than in working them. Corresponding to these changes, a transformation of society takes place. The dominant class has long been the great pastoralists, but to-day, the workers have the power, and perhaps the future belongs to the farmers.

Of course, Métin saw a 'transformation of society' which was imaginary, neither the workers nor the farmers had 'the power', nor would they have power of a decisive kind, in either the economic or the political sense. The 'dominant class' had long been, not the pastoralists but rather the custodians of the vast capital, largely British, of the banks and rich agency and finance companies which directed the Australian economy from the 'eighties and would continue to direct it. But his observation, contemporary with one of the great efforts of the governments to diversify and stabilize the national economy, is interesting as an example of an illusion, long maintained, that in Australia government was in business primarily for the purpose of restricting, in some way which was unfair or desirable according to the social-economic creeds of individuals, the field to which private enterprise considered it ought to have free access. There is a little in the history of state enterprise in Australia to give substance to this old fiction, but not very much. MacLaurin, an American observer who took stock nearly forty years after Métin, showed an understanding of the collaboration of government and capital which is in fact the distinguishing characteristic of that history. He writes,

The Government operation of business enterprise reached its height shortly after the war. The railroads and the great majority of the public utilities had been government-owned for some time, primarily as means of development. The socialistic objective of the Labour Party, however, had led various Labour Governments to extend the scope of their activities substantially. In the Federal sphere there were the Commonwealth Shipping Line, the Commonwealth Bank, and the Commonwealth Savings Bank. Government ownership went further in Queensland than in any of the other States. Here the Government operated sheep stations, butcher shops, a State fishery, a cannery, a State produce agency, a State hotel, State coke-works, smelters, and a number of mines. Queensland also had a tribunal which fixed retail prices, and Government commodity boards which controlled almost every agricultural product grown in Queensland. The other States operated Government enterprises, also, but not so extensively. However, even when experiments in Government activities were at this height, the Australian economy was still dominated by private enterprise. . . . By 1933-4, the only Government enterprises in operation in Queensland were a fish market, certain coalmines supplying the railways, and a smelting works.<sup>1</sup>

<sup>1</sup> The two citations are from *Législation Ouvrière et Sociale en Australie et Nouvelle-Zélande*, by Albert Métin (Paris, National Printer, 1901), pp. 38-9, and *Economic Planning in Australia 1929-1936*, by W. R. MacLaurin (London, P. S. King, 1937), p. 15. Other sources drawn upon for the facts of the paragraphs preceding are *The Australian Commonwealth, Its Resources and Production*, by G. H. Knibbs (Bureau of Census and Statistics Melbourne, 1908), Commonwealth Year Book No. 27 (1934), and Commonwealth Census of 1933, *Detailed Tables*, vol. II.

When we consider a wider range of the public activities to which MacLaurin refers, and the upshot of them, we must accept the essence of his presentation which is to the effect that (1) the persistent public undertakings, notably the railways, were for the service of private enterprise, primarily as means of development' (a task, he could have added, at which private enterprise had failed, and which it could not profitably resume), (2) some Labour governments misunderstood the accepted purpose of public undertakings, and entered into competition with private enterprise, and (3) private enterprise at no time lost its control of the country's economic organization and life. For example, the Commonwealth had operated a large woollen mill in addition to its steamships and its banks, the government of Queensland had operated fifteen cattle stations, a state fish supply and as many as forty seven butcher shops,<sup>2</sup> the government of New South Wales had shipyards, brickworks, metal quarries, pipe and reinforced concrete works,<sup>3</sup> and the governments of New South Wales, Victoria and Queensland had operated coal mines (as each of them continues to do). The Commonwealth sold its woollen mill, which had been unremunerative, in 1922, and its line of steamers, which may have yielded a profit, in 1928<sup>4</sup>, Queensland wound up most of its enterprises in the 1930s<sup>5</sup>, New South Wales sold its profitable brickworks, metal quarries and pipe works in 1936<sup>6</sup>. The supply of coal for the state railways, and of power, light and heat for industrial and domestic purposes, was by then almost the only productive activity which the state permitted itself.

A satisfactory profit and loss account of most of these state enterprises, or of state enterprise as a whole in relation to industry, can obviously never be drawn up, for the object of many of them was rather to keep prices down than to share in the dividend which might be skimmed off high prices, and there is no means of ascertaining how far they succeeded, or how far, under the control at intervals of administrations which were opposed to state business

2 *vide ABC of Queensland and Austral in Statistics* 1927 pp 182-5 (Brisbane Government Printer 1937) for a full list of the State enterprises in that State comprising 118 establishments with an aggregate turnover of more than £1m a year *vide* Queensland Year Book 1939 pp 142, 230, 317-21 for State enterprises then still in existence and p 316 for the original motive of the enterprises that were now in the final stages of liquidation.

3 *vide* NSW Year Book 1935-6 pp 72 *et seq* for mention of the State metal quarries (opened 1911, sold February 1936), brickworks (opened 1911, sold February 1936) and State Monitor pipe works (sold March 1936) and other State enterprises retained p 504 for the State coal mine.

4 *vide* Commonwealth Year Book No 14 (1920) pp 551-678, No 16 (1923) p 274, No 21 (1928) p 253 for the history of the Commonwealth Line and *ibid* No 14 p 928 and No 16 pp 627-8 for the Commonwealth Woollen Mills at Geelong, Victoria.

5 Q.Y.B. 1939 p 316.

6 NSW Y.B. 1935-6 pp 72 *et seq*. Evans quotes W. A. Holman on the commercial success of most of the State undertakings in his *Australian Labour Leader* pp 507-11.

undertakings, they were permitted to function towards that end. But it is of profit to the student of Australian economy to take note of three phenomena in particular of this old Australian habit of public enterprise. The first is that still in 1937-8, state business undertakings returned as much as 45 per cent of the aggregate of all state revenues.<sup>7</sup> The second is that in the field in which Socialist politicians had deemed state ownership and control most called for—the field of heavy industry from which they found or permitted themselves to be excluded—vast profit has been made by private capitalists who were content to leave to the state the vital but necessarily unremunerative business of providing and working the railways by which the country should be opened to exploitation, and by which the products of private enterprise should be taken on their way to market. The third reminder of the process of public enterprise in Australia is the state's direction of the fiscal system—customs tariffs, fixed home prices, etc.—in a manner to nurture enterprises in which there is a great concentration of capital, as well as enterprises of men of small capital. Apart from the banks and agency companies, by far the greatest concentrations of capital in Australian enterprise during the past fifty years have been devoted to the steel and sugar industries, and to-day the Broken Hill Proprietary Company Limited and the Colonial Sugar Refining Company Limited, with paid-up capital alone amounting in the aggregate to more than £20m., stand as virtual monopolies in fields which governments have hedged for them with protective fiscal devices.

The retirement of government from public enterprise, then, is easily understood as an incident of a public policy usually subservient to private direction. But simple retirement was not a practicable solution of the problem of the state as the controller of most inland transport, the manufacturer of rolling stock, and the controller of the wages and conditions of employment in industry. There could not be much profit in private operation of the railways and their important auxiliary services, even after the state had borne the irrecoverable costs of the developmental period, for as the necessities of that phase became less pressing, the competition of road and air transport deprived railway transport of its future as an earner of large profits. There was point in continuing to allow the community as a whole to bear the railway burden. There was point, also, in maintaining the arbitration system, as was shown when in 1931 the

7. *vide* C.Y.B. No 31 (1938), pp. 918, 924. State business undertakings contributed 49.3 per cent of N.S.W. revenue, 43.5 per cent of Victorian, 42.3 per cent of Queensland. In 1932-3 the higher proportion of 47 per cent of all State revenues was contributed by State enterprises (C.Y.B. No 27 (1934), p. 426).

Commonwealth Court made short work of repudiating its own 'sacrosanct' principle of the fair and reasonable wage by reducing real wages. And besides the difficulty of determining whether the abolition of public control of railways, and of labour relations, would or would not be to the profit of private enterprise, the fact was inescapable that these systems had grown into the constitution and stuff of the community so that interference with them would involve the rupture of too many established relationships, would be altogether too disturbing of vested interests over a wide area. For reasons akin to this last the endowment of low-paid workers' children (in New South Wales) could not be abolished, and the best that could be done (and was done) about it was to transfer the burden of paying for it from the employers to the taxpayers—at a time when almost every wage earner had been drawn into the tax-paying class.

The drollest incident of the post-war retirement of government from rich fields was the solution of the problem of the Commonwealth Bank which was reached in 1924. This institution was the achievement *par excellence* of what Métin had described as *le socialisme sans doctrines*. It had started life with £10,000 capital, and with the disadvantage of parents (the Fisher Labour government) having the vaguest notion of what they intended their offspring to do. But in twelve years, under the control of a government official, it had accumulated £4m. of profits, financed Australia in a war, and grown into a formidable competitor with the now small group of highly-capitalized English and Australian banks operating in Australia. How to crack this stubborn nut, the accidental demonstration of a flaw in conventional economic notions, was a problem solved by the advisers of Mr. S. M. Bruce's Commonwealth administration as the remaining company banks reduced their number by amalgamations and came to feel the need of an institution, sensitive to the convenience of private enterprise, which should perform central banking functions. The Commonwealth Bank had accumulated a reserve fund and a fund for the redemption of the public debt, which by 1924 had reached £2m. each. The aggregate of these sums was declared to be the capital of the bank, and its control was transferred from its governor and its future course assured, by entrusting the bank to a Victorian and two New South Wales company directors, a Victorian merchant, a retired chairman of the Associated Banks in Queensland, and a manager of New South Wales wheat pools. The governor of the Bank and a Treasury official were given seats on the board, to represent the people there.

1. *The Economic Framework*(a) *Pastoral and Agricultural Production*

In spite of closer settlement scheme after closer settlement scheme, in spite of extensive irrigation schemes and soldier settlement schemes, in spite of the fact that £164m of money had been advanced to settlers by the various states, to 30 June 1933—when the census was taken in April there were but 265,654 persons engaged in farming in Australia, as compared with 297,661 in 1921, though the population had in the meantime increased from 5.4m to 6.6m, there had been as many as 236,844 primary producers in 1901, when the population was only 3.8m. The population increased by 75 per cent, between 1901 and 1933, the number of farmers and farm workers by only 12½ per cent, so that the population had increased at six times the rate of agriculturists.<sup>8</sup>

Clark and Crawford put it in *The National Income of Australia*,

The 1920's definitely marked a new era. Up to that time, the Australian community had to work hard, it appears, to maintain its average standard of living at its old level. From 1921 onwards productivity and standards of living began to rise rapidly. What is the explanation of this great secular change which appears to have begun about 1920? Possibly it can be explained in terms of the fact that the years from 1890 to 1920 were years of diminishing returns in primary production. Australia during those years was devoting too large a proportion of her labour force to primary production. Since 1921 the numbers engaged in primary production have virtually ceased to increase, and the whole of the quite considerable increase in working population has been diverted into secondary and tertiary production. This diversion has been considerably encouraged by a trade policy deliberately framed towards that end.<sup>9</sup>

So, if, as Metin wrote in 1901, the future belonged to the farmers, it was not on the land that they were to find it.

What, then, was the nature of the schemes for closer agricultural settlement, equipped with which governments struck out against the economic stream of the times, from the early years of this century? Taking the case of Victoria, the principal experimenter, we find that at the beginning of this second general attempt of governments to put farmers on the land—the first was made with the land selection legislation of the 1860's—in 1900 the Victorian government bought five estates totalling 33,660 acres, for agricultural

8 1933 Census *Detailed Tables* II p. 1142 for the occupation figures and Commonwealth Year Book No. 27 (1934) p. 133 for the total advances to settlers. The precise total was £164,034,323 of which £85,275,572 was outstanding on 30 June 1933. Victoria had made the greatest aggregate of advances (£59.9m, £35.7m of which was outstanding from 20,921 persons); the figures for NSW were £42.7m, 27,332; £18.5m for Queensland, £10m, 14,457; £3.8m for SA, £19.6m, 21,591; £10.5m for Western Australia, £30.5m, 15,249; £16.1m for Tasmania, £1.35m, 3,539; £0.6m for the Northern Territory, £22,768, 87; £15,219. In the succeeding four years of recovery from economic depression the number of recipients of advances was increased from 103,166 to 127,044 all in debt to one State or another.

9 Angus & Robertson (Sydney, 1938), pp. 92-93.

subdivision, under powers conferred by the Land Act 1898. A Closer Settlement Board was established in 1904, and from 1909 the State Rivers and Water Supply Commission (established in 1906) administered the settlement of areas irrigated to enable intensive cultivation. In the first eight years of state attention to the settlement of inrigable lands on a large scale, to mid-1917, 571,156 acres was acquired by the commission and 507,500 acres settled (*vide* Chapter V, iv, for the early history of the closer settlement of irrigated lands in Victoria and elsewhere, the twentieth century development is dealt with later in this sub-section). In 1917 the first Discharged Soldiers' Settlement Act was passed in Victoria, as in other states, and the stage set for one of the most expensive and least profitable public ventures in Australian history. However, this was the beginning of the successful exploitation of huge areas of the mallee country—successful inasmuch as an increase of total wheat production was made in consequence, unsuccessful insofar as it was an experiment to settle large numbers of men on agricultural holdings which would yield them a living. For in 1936-7, for example, twenty years after the first soldier settlement of the Victorian Mallee, the Mallee farms—blocks of a square mile or more, watered by a rainfall that year of 14.39 in., more than average—harvested 34 per cent of the Victorian wheat crop, or 9.6 per cent of the total Australian crop.<sup>10</sup> In 1915 a student of mallee land settlement had written,

There is still over two million acres fit for the plough in the (Victorian) Mallee, but their subjugation will require over 200 miles of new railway lines. Out of the eleven million acres or thereabouts comprised in the whole of the Mallee, four million acres were settled prior to 1908, one and half a million acres since, while about two and a half million await further action, making eight million acres in all. The remaining three million are too poor to serve as anything but a harbour for our native fauna.<sup>11</sup>

Well, in the fifteen years after 1917, ex-soldiers were settled on nearly 2.2m. acres, mostly mallee country, and civilians on another 1.1m. acres, by the twentieth anniversary of the first soldier settlement, in 1937, after a 1936-7 Mallee harvest of 14.56m. bushels of wheat, 30 per cent of the men had left their blocks, and that result was better than the corresponding situation in New South Wales, where 50 per cent had left, or Western Australia, where almost 60 per cent had abandoned their blocks, or South Australia,

<sup>10</sup> *vide* Victorian Year Book 1936-7, p. 425, for the statistics from which these percentages are struck, *ibid.*, p. 406, for Mallee, Wimmera, Northern, and all-Victorian annual rainfall figures, 1901-36, and averages for 66 years.

<sup>11</sup> A. S. Kenyon in the *Victorian Historical Magazine*, iv, pp. 182-3 *vide* his series of articles, 'The Story of the Mallee,' *ibid.*, pp. 23-36, 57-74, 121-130, 175-200, for the story from the earliest settlement to 1914.

of whose soldier settlers 55 per cent had left. The four main wheat producing states had lost more than half the 30,000 soldier-farmers. Taking all assisted settlement (including soldier settlement, and settlement other than on wheat blocks), 127,044 settlers had been 'staked' to some extent by the several governments, to mid-1937, to an aggregate of £193.9m., of which £94.8m. remained to be repaid.<sup>12</sup>

The story of the failure of the soldier settlement schemes of the states, as means of profitable employment, began to be told in a comprehensive way in 1929, just before 'the Great Depression' which would share with 'the Big Drought' first place among Australian disasters. Mr. Justice Pike, of the Land Valuation Court of New South Wales, was appointed by the Commonwealth government of Mr. Bruce, in 1927 and 1928, to enquire into matters of soldier settlement, and on 24 August 1929, he returned a report<sup>13</sup> in which he found that

the total losses sustained by the respective States have been as follow

	As claimed by State	As found by me
New South Wales	£8,836,808	£7,003,950
Victoria	9,995,666	7,721,891
Queensland	2,029,092	1,853,315
South Australia	3,233,211	3,565,829
Western Australia	2,742,802	2,059,368
Tasmania	1,060,396	1,321,169
Total	£27,897,975	£23,525,522

Mr. Justice Pike recalled in his report that in February 1915, the Commonwealth and states in conference had decided upon co-operation in soldier settlement schemes, the states would provide the land, the Commonwealth (by loans) the funds from which advances could be made. Subsequently other conferences on the subject were held. He reported,<sup>14</sup>

It appears to me . . . that the position was this—(1) that the responsibility and control of land settlement was vested in the State authorities, and (2) that the Commonwealth undertook to lend moneys to the States for this purpose up to an amount not exceeding £625 (later extended to £1,000) per settler.

He recommended that the accumulated loss of a dozen years, as estimated by him, should be borne in equal shares by the Common-

12. For information in this paragraph not otherwise attributed, *vide* Victorian Year Book 1936-7, pp 392 *et seq.*, Commonwealth Year Book No 31 (1938) pp 97 *et seq.*

13. Report on Losses Due to Soldier Settlement, Commonwealth *Parliamentary Papers*, 1929, vol. II, *et vide* the various Reports of the Victorian Closer Settlement Commission, in Victorian *Parliamentary Papers* from 1913.

14. *loc cit.*, p. 8.

wealth and the appropriate state in each case, the Commonwealth thus had an outstanding liability, to the states, aggregating £2,447,782—already £9,762,983 had been paid.

As to the causes of the evident failure of the settlement schemes, the commissioner of enquiry summarized them as mainly (1) the settlers' want of capital, (2) their want of home maintenance area (i.e., the blocks tended to be too small for the proceeds of harvest, etc., to support a family), (3) the unsuitability of many settlers, 'due to a large extent to war services and want of training,' (4) a fall in the value of primary products, chiefly in the irrigation areas.<sup>15</sup>

Under the scheme of soldier settlement as initiated in most of the States the soldiers were allotted an area of land on which to make their living, and were charged for the purchase price thereof, and at the same time were granted advances in order to enable them to carry out the necessary improvements and to purchase stock, implements, etc. Securities were taken by the State to cover these liabilities, so that (the soldier settler) was, in effect, mortgaged to the State to the full amount of the purchase money in regard to the property, and to the full amount of his advances.

Interest was payable at the rate of 5½-6½ per cent on the purchase price, of 3½-6 per cent on money advanced. 'Assuming for a moment that the holder was a practical farmer, capable and industrious, it appears to me that it would be impossible for him to make a living under these circumstances.' An average civilian settler, whose property carried mortgages up to 66 per cent, the ordinary limit of private (including bank) advances, could barely carry on, mortgaged to the hilt, the soldier's block was, from the 'owner's' point of view, a perfectly hopeless enterprise.<sup>16</sup>

Still, much had been accomplished, the soldiers had not ceased to serve their country when they put off khaki. Whereas the area under wheat in Australia had averaged less than 9m. acres, in the decade to 1920, it averaged more than 11m. acres in 1921-30, and the average harvest was 42 per cent greater than in 1911-20; the number of fruitgrowers was much more than double in 1933 what it had been in 1911, and the apple crop had been more than doubled, the banana crop tripled, the peach crop doubled, the citrus fruits crop tripled, the pear crop more than doubled, and the area under vine nearly doubled. And Mr. Justice Pike found that in the irrigation and mallee areas alike, the soldier settlers' blocks stood out for excellence.<sup>17</sup> Two or three years later, F. W. Eggleston hailed the failure of the closer settlement scheme, if it was a failure from every point of view, as 'the most characteristic example of State Socialism in Victoria.'<sup>18</sup> But there was not

15. *ibid.*, p. 22

16. *ibid.*, p. 23

17. *ibid.*, p. 25

18. *State Socialism in Victoria*, p. 58, London, P. S. King, 1932

the faintest flavour of 'State Socialism,' in any ordinary meaning, or of any other kind of Socialism, about the Victorian or any other state scheme of closer settlement. When Eggleston wrote, the wheat and fruit area and production statistics, over a considerable period of years, had already made clear that closer settlement, including soldier settlement, had contributed greatly to the Australian export economy; and Mr. Justice Pike's report had made clear that the schemes, with whatever motive designed, had worked out as systems exploitative of large numbers of industrious individuals. Of the plight of government-created new peasantry, he wrote,

Various remedial measures have been tried . . . in the shape of trying to ease the financial burden by writing down the indebtedness, granting remissions of interest, and by writing down land values. These schemes might be successful in those cases where the holder had a sufficient area to maintain his home—and by that I mean such an area as would, under average seasons and circumstances return him for his labour thereon an amount sufficient to meet his commitments to the Crown, and also to maintain himself and his family—but when the area fell short of providing these amounts there was nothing left for the settler but to look year after year at an accumulating load of debt.<sup>19</sup>

It came to this, and not to 'State Socialism': men without capital were provided by the state with capital, on loan, sufficient as a rule to bring their blocks to production, but insufficient to enable them to earn enough, as a rule, to pay them wages and to pay the Crown its dues. An account of what appears to have been a typical experience may throw some light on the operation of closer settlement schemes. (The case in point is that of a Victorian soldier settler, on a Mallee wheat block.<sup>20</sup>)

(1) In 1920 the soldier acquired a green (i.e., uncleared) block of 640 acres in first class land, 800 acres in second class land, and 1,200 acres in third class land under the following terms: first class land, 22s. 6d. per acre, second class land, 12s. 6d. per acre; third class, 5s. per acre. The land was leasehold, and the soldier was given 42 years in which to pay for it—these payments were made yearly, after harvest. Interest was charged at 5 per cent. At the outset, an advance of £1,000 was made for the purchase of stock and plant. This was returnable in instalments covering ten years. After a residence of six years on the block, the soldier could (provided that his yearly land rents had been paid) obtain his lease. The freehold title could be obtained only by paying the whole of the capital value, viz., 640 acres at 22s. 6d. per acre.

(2) It took three years to clear the block. The timber was mostly

<sup>19</sup> *loc cit*, p. 23.

<sup>20</sup> This account was supplied to the present writer, in October 1933, by his sister, Mrs. A. W. Maxwell, then of Underbool, Victoria.

mallee (a stunted eucalypt), with patches of pine and belar. The mallee could be rolled down with the roller at any time, but the axe had to be used on the pine and belar. Then on a hot summer day a fire would complete the job, and a piece of land would be ready for the plough. The soldier, following the usual practice, cleared 200 acres a year, and sowed this before proceeding with the next year's clearing. Thus he could get some wheat on the market at an early stage.

(3) This was his experience of successive seasons.

1920-1.—A bumper year with a yield of 8 bags (24 bushels) to the acre, and with wheat at 7s. 6d. per bushel.

1921-2.—Excellent year, wheat at 6s. per bushel, and yield good.

1922-23.—Another good year, yield about 18 bushels, price 5s. The soldier benefited greatly by this, for most of his land was cleared and in cultivation.

1923-4.—Very fair year. yield and price both down a little.

1924-5.—Fair year again, quite payable.

1925-6.—Good year, heavy yield, and price up to 6s. 3d. per bushel, land in the (Underbool, Victoria) district at a maximum value, £6 per acre.

1926-7.—Lean year, 9 bushels to the acre. After that, not the deluge but the reverse. A series of poor years culminated in the total drought of 1930, when the soldier had 1,000 acres sown with wheat and did not put the harvesting machines in at all, he did not harvest one bag. He had accumulated 500 sheep, and had not a particle of grass for them. From 1930, wheat fell in price, giving the farmer no opportunity of regaining lost ground even though harvests were good. The price of wheat for the 1931-2 harvest was 1/6 per bushel.

(4) The soldier's financial position seemed best after the 1925-6 harvest, for although the earlier years were such bumper ones, he had not had time to become established. At that time, his stock consisted of 10 horses, 1 cow, 2 pigs, 100 sheep, 100 fowls. His equipment comprised 1 Big E harvester, 1 combine, 1 drill, 1 plough, 1 binder, 1 set of harrows, 1 waggon, 1 dray, 1 chaffcutter and engine, 1 gig, harness for 8 horses. The value of the plant and stock was £1,500.

(5) After the price-fall, the soldier, being already mortgaged to the government, might take out only a second mortgage; and that was not acceptable to any bank or financial institution. His savings were all used up, and, through deflation of land values, now (1933) even his equity in the property was gone.

The gains of six good seasons when the harvest fetched good prices, vanished like rain in the sands of the Mallee itself, when they were matched against mortgages varying seasons, and the price-fall.

Victoria was the main scene of settlement of irrigable lands, just as it was the main scene of soldier settlement in general and of closer settlement of dry areas for wheatgrowing. From 1909-10, when the systematic closer settlement of irrigable areas began, to the 1930's (average of the five years ended 30 June 1937), the irrigated area thus brought into intensive cultivation was increased from 88,922 acres to 369,275 acres, and the total area of irrigated land in the state was increased from 129,771 acres in 1910 to 518,827 acres in 1937. By this time, there were three great storage systems for irrigation in Victoria, the Goulburn system, with a capacity of 660,100 acre feet, the Murray-Loddon (815,380), and Wimmera-Mallee systems totalling 207,630 acre feet. And—comparative measure of the extent of closer settlement of the Mallee sands on the one hand, and areas for the most part farther to the east, on the other—there were then 4,277 closer settlement holdings (civilian tenants) in the dry areas, and 2,194 in the irrigation areas. Here, too, the contrast between the two sorts of settlement which the governments had encouraged is seen, the contrast between extensive wheat-farming and intensive fruit-farming; the 4,000-odd dry holdings aggregated 1,060,651 acres, and the irrigation blocks, about half as many, 127,689 acres, equal to less than an eighth of the wheat area newly settled under public schemes. The corresponding figures, at 30 June 1937, for ex-soldier settlers are 7,892 holdings aggregating 2,347,011 acres, in the dry areas, 1,994, aggregating 95,121 acres, in the irrigated areas. The average civilian dry wheat block was about 248 acres in extent, the average ex-soldier's block about 298, on the irrigation areas the average civilian's block was 58 acres, the ex-soldier's, 48.<sup>21</sup>

After the enthusiasm for irrigation schemes in the 'eighties, which achieved the Chaffey settlements at Renmark, South Australia, and Mildura, Victoria, and some lesser Victorian schemes, there was an interim of many years before any large scale project was attempted. 'Harnessing Australia's greatest river,'<sup>22</sup> the thousand-mile-long River Murray, raised engineering problems, it is true, but, what above all delayed the effective control and conservation of its waters in the interests of the farmers of three states which it washed, it raised political problems which were less easily solved.

<sup>21</sup> *vide* Victorian Year Book 1936-7, pp 397-8, for the aggregate figures.

<sup>22</sup> This is the title of a most informative supplement, with diagrams, maps and accounts by experts, to the *Industrial Australian and Mining Standard*, 17 June 1920.

The question of joint action to use the Murray waters for irrigation was first given serious consideration in 1884<sup>23</sup>, but the colonies were to become states, thirty years were to pass, before a practical solution was reached. The Chaffey's had dipped their buckets into the stream at Renmark and Mildura, to good effect, and with government encouragement; but it was not until long after their ventures of 1887, that the state governments themselves reached, with the government of the Commonwealth, a satisfactory adjustment of their various claims, which at length permitted of the systematic harnessing of the Murray. A New South Wales Royal Commission having considered 'the Murray question,' *inter alia*, in 1884, a Victorian Royal Commission sat in 1886, after consultation with the New South Wales authorities, this commission recommended that a joint trust to control Murray undertakings be set up by the two governments; but neither colony prepared legislation to bring this to pass. Ten years later, an Indian irrigation expert, Colonel Home, recommended a Murrumbidgee and Murray scheme to the New South Wales government, but again without effect.<sup>24</sup>

It was a non-government organisation which in the end brought the parties to conference—though not, for a dozen years more, to action. The Murray River Main Canal League in 1902 brought the Prime Minister of the Commonwealth and the premiers of New South Wales, Victoria and South Australia to conference at Corowa, New South Wales. They reached a resolution jointly to appoint a Royal Commission to go into the Murray question with a view to making an arrangement for joint control of Murray projects. As a sequel, the Murray River Waters Commission was assembled in due course, consisting of one representative each from the Commonwealth and the three states concerned. After protracted discussions about uneasy questions of state rights, a further step forward was taken in 1911, when, at Melbourne, a conference of the three state premiers<sup>25</sup> decided that the state of South Australia should carry out storage works at Lake Victoria, New South Wales, and lock the South Australian portion of the Murray; New South Wales and Victoria showed no disposition to recognize the claims of South Australia with respect to rights of navigation on the river. In 1913 an agreement was reached for apportionment of the waters

23. In that year the New South Wales Government appointed a Royal Commission, with W J Lyne as chairman, to go into the whole question of water conservation and irrigation. It tendered three reports, which are published in N S W. *Parliamentary Papers*; an abridged edition, of great length nevertheless, was published by the N S W Government Printer in 1886.

24. *vide Report, Minutes of Evidence*, etc., Interstate Royal Commission on the River Murray (Sydney, Government Printer, 1902), pp 3-6 for a history of the Murray question.

25. *ibid* for the Royal Commission's early proceedings. For the conference of Premiers, *vide* Commonwealth Year Book No. 7 (1913), p. 510.

of the river, and the cost of works, among the three States.<sup>26</sup> This was ultimately ratified by the Commonwealth parliament (River Murray Waters Act 1915) and the parliaments of the states concerned. At length something on a large scale could be done about the Murray. By 1920, River Murray works undertaken comprised a storage dam on the Upper Murray at Mitta Mitta, another at Lake Victoria, and twenty-six locks erected between the river-mouth and Echuca. By that time 1,066 miles of the river were made navigable. In addition, there were nine weirs and locks in the Murrumbidgee, down to its junction with the Murray. New South Wales completed a scheme based on a great dam at Burrinjuck, the largest in Australia and fifth in the world. (Soon the Victorian enterprise, the Hume Weir on the Murray, would replace it in the ranking.) Mildura by 1917 had 12,000 acres under intensive cultivation, served by 280 miles of irrigation channels, and Renmark had about half as much irrigated land under fruit.

While by such schemes of closer settlement, governments were promoting a great advance of wheatgrowing and fruitgrowing, the old staple primary industry, sheepraising for fine wool, staggered down the decline of the 'nineties, and then worked upward. The number of sheep in Australia fell from 106 million in 1891 to less than 71 million in 1900, to 57 million in 1902, then increased by 39 million, or 63 per cent per annum, in the nine years to 1911; a few years later, drought devastated the flocks again, and there were fewer than 82 million sheep in the country in 1920, by 1927 the 100 million mark, and by 1930 the 110 million mark had been passed. More than 92m. of the 110m. were in New South Wales (53·4m.), Victoria (16·5m.) and Queensland (22·5m.). There were more sheep in New South Wales alone, than in the United States of America or the Soviet Union, the two countries whose sheep populations approached Australia's nearest. The Australian clip reached the 1,000 million lb. mark in the season of 1931-2. Perhaps a fourteenth of the wool produced was used in Australia, the vast bulk was exported, fetching in 1931-2 £32 1m., as compared with average annual receipts in 1909-13 of £26 6m. The average price of the clip exported, plus the cost of placing the wool on board ship, was 9 4d. (greasy) and 16·36d. (scoured) on the average of 1909-13, 8 97d. and 12·14d. in 1931-2. In the war years 1916-9, the average price received for the clip was at the rate of 16·3d. per lb. These high prices, which reached a peak of 16·69d. in 1919-20, were obtained under the operation of agreements by which the British Government bought the clip. Bawra—the British Australian Wool Realization Association—was

26. For the agreement, *vide* Commonwealth Year Book No 7 (1913), pp. 1059-61.

formed after the war, in January 1921, to handle the carry-over stocks. The average export of greasy wool in the five years 1909-13 was 556 8m. lbs., in 1931-2, 775.2m., and the export of scoured and washed wool represented 70 3m. lbs. and 57 9m.<sup>27</sup>

The dairy produce export trade received a fillip in consequence of the war of 1914-8, as had the wool industry. From 1 July 1918, to 31 March 1921, the British government took on contract all Australian butter surpluses, and subsequently the exports of both butter and cheese grew to considerable magnitude, the cheese export being tripled in quantity between, for instance, 1929 and 1933 and the butter export being increased nearly two and a half times. The value of the butter export trade, nearly all to the United Kingdom, was only just short of £10m. in 1931-2, compared with £1.45m. in 1901 and £3.24m. in 1906.

Sugarcrowing, which had continued to bulk large in the economic scheme of one state, Queensland, although with the advent of 'White Australia' the industry's plentiful supply of cheap island labour had been cut off, had been as anxious a preoccupation of Queensland legislators as had wheat and other farming in the southern states, and in 1911 the Commonwealth Royal Commission on the Sugar Industry gave a comprehensive account of the situation at that date.<sup>28</sup> Sugar production in Queensland had mounted from less than 70,000 tons in 1890 to more than 92,000 in 1900 and more than 207,000 tons in 1910 (and more than half a million tons in 1930), though New South Wales production had been higher in 1890, at 26,533 tons, than it was in 1900, when it dropped below 20,000 tons, to remain about that level. According to the Royal Commission, there were at the end of 1911 more than 26,000 white workers on the canefields (22,000 in Queensland), besides another 4,000 sugar factory workers. Australia grew cane for a greater and greater proportion of its own sugar requirements, under protective systems which cost the consumer £1m. a year, so that the quantity of manufactured sugar imported in 1910 was only about a third of that imported ten years before. The industry, both in its primary and secondary aspects, presented this peculiar picture, that it was the subject of an elaborate public protective system, and at the same time of a gigantic private monopoly. 'The price of raw sugar,' the 1911-2 commission reported, 'is not arrived at as a result of competition. It is fixed by the Colonial Sugar Refining Company.'<sup>29</sup>

By the 1930's, then, the various pastoral and agricultural industries stood in something like this relation to Australian economic

27. Commonwealth Year Book statistics

28. For the earlier history of the industry, *vide* Chapters V, xi, and VII, ii

29. *Report*, p. xxii

activity generally: they employed one-fifth of the country's army of working breadwinners (but a quarter of the working males) and contributed three-fifths of the total value of production, while their contribution to the national income was probably less than a quarter of the whole. They were of less significance, as an aggregate, in Australian economy than they had been.

(b) *Mining and Manufacturing (including Heavy Industry), and Public Utilities*

With the twentieth century, the Australian economic structure was adapted more and more closely to the European and North American type, in which primary production was balanced by a considerable manufacturing industry. The growth of the structure as a whole, and the changed proportion of its components, were very striking. Thus, whereas in 1906 (to select a year preceding most machinery of the change) the primary industries, excluding mining, made up four-fifths of the total value of production, which was less than £150m., by the 1920's and early '30's these industries yielded two-thirds of an average annual production grown to nearly £400m. value. It was the development of manufacturing industry which accounted for the change of the ratio of the value of primary production to the value of other production. With the working out of the goldfields the value of all mineral production had dropped, in a similar comparison, from nearly a fifth to a mere twentieth of the value of all production.<sup>30</sup>

But the goldfields did not exhaust the mineral wealth of the country. There was coal, too, and iron. Heavy industry, to which much of the general advance of manufacturing industry is attributable, had its foundations in the plentiful deposits of iron ore, much of it high-grade, in South Australia and New South Wales. Ironmining and ironworking are old Australian employments; the occurrence of the ore was noted within a few years of the first white settlement, and by 1848 a blast furnace was in operation at Mittagong, New South Wales, and by 1876 a large blast furnace at Lithgow, in the same state, in each case hard by extensive deposits of black coal.<sup>31</sup> The industry was producing

30 *vide The Australian Commonwealth, Its Resources and Production*, by G H Knibbs, p. 17 (Melbourne, Commonwealth Bureau of Census and Statistics, 1908), and *Commonwealth Year Book No 27 (1934)*, p. 858, for the statistics on which this comparison is based, or from which it is calculated. Where in this portion of the book statistics are not attributed to an authority, they are from, or calculated from, statistics in the *Commonwealth, N S W* and *Victorian Year Books*.

31 For the early history of the iron industry in N S W, *vide* the excellent article, 'Iron,' in the *Australian Encyclopaedia*, *B.H.P. Review*, June 1935, Half-Yearly Reports and Statements of Accounts of the B.H.P. Co Ltd., and article, 'Iron and Steel,' in *Australian Industry*, pp 32-4; Brisbane, Federal Council, Chambers of Manufactures of Australia, 1906. On p B165 of this publication it is stated that the first blast furnace of the Eskbank Iron Works at Lithgow (95 miles from Sydney) was blown in on 16 December 1873, and

about 20,000 tons of pig iron a year when, in 1908, Deakin's Liberal government of the Commonwealth, supported by Labour, increased the tariff duties on imported iron and steel (Customs Tariff Act, No. 7 of 1908), and offered bounties on Australian-produced iron and steel (Manufactures Encouragement Act, No. 26 of 1908) on condition of the producing companies' giving bonds that they would, if instructed, sell out their undertakings to the government of the state in which they were situated. The nationalization of iron and steel making would, it was expected, be carried out in 1914. By 1911, there was a Labour government, for the first time, in power in New South Wales, and there was a serious strike in the ironworks of G. & C. Hoskins at Lithgow, producers of most of the 36,000 tons of pig iron which could now be turned out from New South Wales furnaces in a year. The ministry, led by J. S. T. ('Honest Jim') McGowen, commissioned an English expert, F. W. Paul, to enquire into the possibility of a state ironworks and into the existing arrangements for supplying the state railways with steel for construction purposes, and after his report the government cancelled its contract with the Hoskins firm, and, in 1912, introduced a State Iron Works Bill which the Assembly passed. In February a Cabinet sub-committee devoted itself to plans, but in May the Broken Hill Proprietary Company Limited, through G. D. Delprat, its general manager, made proposals to establish a steelworks in New South Wales, to work the ore from the deposits which it held under lease at Iron Knob in South Australia. Later in the year the government, to the fury of the Labour Party Conference,<sup>32</sup> dropped its bill, reached an agreement with B.H.P., and carried a bill to ratify it. The B.H.P. steelworks commenced operations in March 1915. Twelve years later the New South Wales government reached an agreement with the Hoskins Iron and Steel Company, of Lithgow, by which the company should construct and equip a steelworks at Port Kembla. In October 1935, B.H.P. bought the whole of the ordinary shares in this enterprise, by then in full operation as the Australian Iron and Steel Company, its chairman was H. G. Darling, the chairman of B.H.P.

that production of pig iron at the works ceased in 1882. Production was resumed in 1886 and was continued during the 20 years to the time of the comment (1906), when two Siemens open hearth furnaces, the first in Australia, were installed. Bar iron, rails, black sheets, corrugated iron, steel castings, etc., were produced from imported pig iron and local scrap iron. The *B.H.P. Review*, February 1939, vol. xvi, no. 2, p. 20, contains recollections of the Lithgow works from 1882, by T. Reid, subsequently store manager of A.I. & S. at Port Kembla, N.S.W. In the April 1939 number of the same journal, J. W. Thompson, an A.I. & S. cadet, gives an account (p. 28) of the early blast furnaces. He writes that no records of the production of the first blast furnace (Mittagong, N.S.W., 1848) are available, but that a second, blown in there in 1865, averaged 66 tons a week during the period of its greatest activity.

<sup>32</sup> H. V. Evatt's *Australian Labour Leader*, pp. 307-11, contains an interesting account of these proceedings, and gives references.

While the years 1930-2 saw 'staggering losses' in the iron and steel industry in most parts of the world, B H P, though missing a dividend in 1930, 1931 and 1932, recorded a net profit of £350,000 for the three years. In eight years from 1931, B H P increased its capital paid up, by nearly £4m from £2.7m, its reserves by more than £5m from £3.7m, and the value of its investments, etc by £6m from £1.2m. And after May 1939, the date to which these great gains are accounted above, B I I P distributed (August) sixty-four bonus shares for every one hundred held, thus bringing its own paid up capital to about £11m, from the resumption of dividend payments in 1933, shareholders had benefited in seven years to the extent of £3.3m in dividend payments and £4.3m in bonus shares. In 1935 B H P had acknowledged<sup>33</sup> subsidiary undertakings employing, together with its own ore getting operations in South Australia, its limestone quarries in Tasmania and its steelworks in New South Wales, 10,288 workers, besides four allied companies which employed 2,379, in addition, 12,132 workers were employed in supplying materials for B H P to use. Nearly 25,000 men then served B H P, or many more than were engaged in the old industry of gold mining, throughout Australia.<sup>34</sup> By 1940 the subsidiaries included a baker's dozen of companies covering a very wide range of production.

It was, of course, the immensely rich silver-lead workings at Broken Hill that had formed the basis of the B I I P steel and associated enterprises—the mine which, during its fifty-four years produced more than 189m ounces of silver, 1,445,000 tons of lead and 603,000 tons of zinc. It was from this solid foundation that B H P built up heavy industrial undertakings which sold more than £5m worth of products in 1935 and more than £10m worth in 1938-9. But as far as its ironworkings are concerned, the company's history began in 1894, when it built on its north slag dump at Broken Hill a small iron foundry, designed to make more profitable use of the waste cast iron which hitherto had to be sent to local foundries to be re-cast when required.<sup>35</sup> Of course, ironworking in New South Wales dated back much further than 1894. Iron ore had been discovered at the beginning of the nineteenth century, but it was not until 1900 that B I I P acquired leases over the orefields of Iron Knob, South Australia, and not until 1915 that the company began to make steel at Newcastle, New South Wales, carrying the rich ore (two thirds iron) nearly 1,200 miles by sea from Whyalla, in the north of Eyre's Peninsula,

33 B H P Review Jubilee No. June 1935 p. 52

34 At the 1933 Commonwealth Census the number of persons employed in goldmining was 20,352

35 B H P Co. Report No. 19 30 November 1894 p. 10

South Australia, ultimately it carried the ore in its own ships and smelted with coke which it processed from B.H.P. coal, in due course the company laid down blast furnaces at Whyalla and at Port Kembla, New South Wales, in addition to the three in its steelworks at Newcastle. While its steelmaking enterprise was being prepared and developed, B.H.P.'s silver-lead mining property was being worked only intermittently. The old mine had been closed down in 1909-11, after a bitter industrial dispute at Broken Hill and in a period of low metal prices; operations were suspended again in 1919, until late 1921, and again in 1923. On 30 June 1930, as 'the Great Depression' set in, the mine was closed down once more, and for five and a half years twelve or fifteen caretakers were all that remained at Broken Hill in the service of the company that had for half a century employed thousands of men to raise ore which yielded millions in dividends. The mine was worked for only a little over three years after the reopening in November 1935.<sup>36</sup> But other Broken Hill mines continued operations, and £2-£3m. worth of silver and lead had been produced (figures for Australia) in the first five years of the century, and up to £6m. worth of silver, lead and zinc before 1930, in the early 1930's production realized a value similar to that of thirty years before. Apart from the B.H.P. Co. Ltd., the three principal mines had been those of the Sulphide Corporation Limited (closed, 1922), Broken Hill South Limited, and North Broken Hill Limited. As the 'thirties wore on, the silver-lead industry as a whole showed a decline to further depths. Broken Hill South, which had distributed £560,000 in a 70 per cent dividend payment in 1937, and £640,000 (80 per cent) in 1938, paid only £320,000 (40 per cent) in 1939. Broken Hill was not quite exhausted yet, and indeed, apart from the still considerable value of its silver, lead and zinc output, and its association with the great steel works which bears its name, a smelting and refining industry of some importance was developed to handle some of the concentrates produced at the Barrier.

It was in connection with the product of the copper mines, however, that Australia's first extensive facilities for electrolytic refining were provided, at a time (1906) when the country's copper production was comparable with its silver-lead production in value. Until February 1906, Australian-produced copper matte, containing gold and silver, had been exported to the United States of America for refining, but in that year the Mount Morgan Gold Mining Company, Queensland, founded the Electrolytic Refining and Smelting Company of Australia Limited at Port Kembla, New South

36. *vide B.H.P. Review*, June 1935, p. 20, B H P Co. Reports, Nos. 79, 84, etc.

Wales, importing Benjamin Magnus, an American expert, as general manager. This concern, incorporated in 1907, commenced operations in February 1909, ultimately handling quantities of blister copper from Mount Morgan and elsewhere in Queensland, and from Mount Lyell, Tasmania. In 1909, 12,000 tons of electrically refined copper were produced at Port Kembla, and a dozen years later the capacity of the plant, valued at £300,000, was four times as great. Metal Manufactures Limited and Australian Fertilizers Proprietary Limited were associated with the E.R. & S. Company at Port Kembla. (As early as 1895, Edmund Barton, Prime Minister of Australia in 1901, T. F. Knox, of Dalgety's and C.S.R. associations, and others were directors of a Smelting Company of Australia Limited, which smelted gold, silver, lead and copper, and manufactured sulphuric acid, at Dapto, Lake Illawarra, in the Port Kembla neighbourhood.) In the 1930's, when Tasmania had become the leading copper producer, most of the copper that was still credited to New South Wales came from matte sent to Port Kembla from the Port Pirie smelters, and refined there.

In Tasmania, at Risdon, near Hobart, what would be the principal handler of Broken Hill zinc concentrates was established in 1920—the Electrolytic Zinc Company of Australasia Limited. Just as the Port Kembla refining enterprise had come into being to handle blister copper which formerly had been exported for treatment, so the Electrolytic Zinc Company was organized to treat zinc blends which it had been customary to export to Europe. And like the 1895 Dapto company, and the Port Kembla company, Electrolytic Zinc conducted subsidiary activities such as the production of sulphuric acid and chemical manure, superphosphate. In the first instance Broken Hill Associated Smelters Proprietary Limited, at Port Pirie, South Australia, roasts the zinc concentrates (sulphides) from Broken Hill, and adjacent fertilizer factories use the sulphuric acid obtained. Then at Risdon the concentrates are refined, zinc, cadmium, superphosphate, and lead-silver residue being produced (54,000 tons of zinc per annum, in the middle 'thirties).

B.H. South and North B.H., with B.H.P., formed Broken Hill Associated Smelters Pty. Ltd. in 1915 to smelt at Port Pirie, South Australia. Then the Zinc Corporation and British B.H.P. Ltd. took shares, all entering into an agreement to sell their output of concentrates for fifty years to B.H. Associated Smelters. The Sulphide Corporation discontinued smelting at its Cockle Creek works, N.S.W., and sent to Port Pirie like the others. B.H.P. sold its interest in B.H. Associated Smelters in July 1925, and later the whole of the capital was held by B.H. South (£245m.), North B.H. (£547m.), and the Zinc Corporation (£185m.).

The B.H.P. enterprises typify—if indeed they do not practically cover—a significant development of industry in Australia. Comprising a great vertical structure of production and transport undertakings, they represent an important example of that ‘partnership of British Capital, Australian Coastal Cities and Australian Country Producers that,’ in the Bank of New South Wales phrase, ‘for nearly 150 years has worked wonders in transforming this difficult Continent.’<sup>37</sup> A Melbourne capitalists’ promotion originally, associated from an early stage with British capital backing and with British heavy industrial undertakings, their operations came to embrace silver-lead mining, goldmining, coalmining, quarrying, shipping, coke manufacture, refining, pig iron and steel production, various metals manufacturing and aircraft production, in the six states. In 1940 the B.H.P. made preparations for shipbuilding at Whyalla. But, as the company’s expansion both ‘vertically’ and ‘horizontally’ shows, it is not yet true of B.H.P. that the profitable partnership referred to by the economist of the Bank of New South Wales has in its case ‘come up against unavoidable limits, both in the resources of Australia and in the world’s demand for them.’ By 1940 B.H.P., already virtual controller of two important harbours in New South Wales and one in South Australia, and their industrial hinterlands, was constructing a second port in South Australia, and, already an exporter to the Far East and elsewhere, was exporting steel in quantity to England, fourth or fifth in the list of the world’s steel producers as that country was.

The coal industry, which traditionally was next to gold the Australian continent’s principal mining activity, stood out in dark contrast to the shining steel prosperity of B.H.P., after the second quarter of the twentieth century began. ‘The average parity of the selling price of coal,’ the New South Wales Royal Commission of 1929 on the coal industry reported,<sup>38</sup> ‘during the period 1909-1913 . . . was lower than that reached in any country in any subsequent time,’ but in 1928, price parity at the pithead in New South Wales (easily the major producer) was higher than in any other country. There were 28,000 workers in the Australian coal industry in 1933, compared with 21,000 in 1911—but more than 10,000 of them were out of work, 37 per cent, compared with an average of 23 per cent of all workers, in that year of deep economic depression. Unemployment was higher in the coal industry than in any other considerable industry.<sup>39</sup> It had been well enough for a time after the war of 1914-8, Australian production in 1921, 12.8m tons

37. *Bank of NSW Circular*, vol 1, no 5, 23 January 1935.

38. *NSW Parliamentary Papers*, session 1929-30, III, p 109.

39. 1933 Commonwealth Census, *Detailed Tables*, II pp 1142, 1204, for the statistics on which this statement is based.

(New South Wales, 10 8m.) was somewhat higher than production in 1913, 12 4m. tons (New South Wales, 10 4m.), and the product fetched a total of £11m., compared with £4 6m. in 1913. But production had dropped to 11 8m. tons (New South Wales, 9 4m.) in 1928, 10 4m. (7 6m.) in 1929, and 9 5m. (7 1m.) in 1930, while prices had dropped even faster, so that the 1930 Australian coal production was valued at only £7 5m.<sup>40</sup> The Australian coal export trade of 2 1m. tons had been worth £1 1m. in 1913; in 1929-30, only 294,000 tons was exported, worth £347,000. As well, a once quite important bunker trade had declined. In 1913 more than a million and a half tons of Australian coal had been taken for bunker purposes, and more than a million pounds paid for it by shipping companies, in 1928-9 the money return was much the same, but the quantity had fallen off by 55 per cent, and in 1932-3 the quantity was down to a third of the 1913 quantity, and the value to half.<sup>41</sup>

The ailing of this elderly industry began to arouse alarm in official circles in New South Wales while the post-war boom was still giving buoyancy to less basic industries. On 23 July 1928, T. R. Bavin, the premier of New South Wales, issued a statement<sup>42</sup> expressing concern at the position in the industry in the state (by far the first producer)<sup>43</sup>, unemployment relief cost £60,000 a year in the coal districts, the overseas trade, which in 1913 had absorbed a third of the coal raised, now took only a seventh; high prices and uncertainty of continuous supplies had deprived the country of the benefit of its coal export to the East Indies, Malaya and India, high prices were imposing a burden on the government railways and tramways. Fourteen months later, Bavin, announcing in the Legislative Assembly that 'industrial depression (had) set in last year,'<sup>44</sup> quoted figures which purported to show that the average output per New South Wales coal miner per annum had fallen from 553 tons in 1913 to 457 in 1927. He proposed that to relieve the situation the price of New South Wales black coal be reduced by 4s. a ton, the state government to bear 2s., the colliery proprietors 1s., and the miners 1s. by 'periodical deductions from their earnings' Subsequently the Commonwealth government agreed to subscribe to an arrangement by which it should pay 1s. bounty per ton of New South Wales coal exported to other states or overseas, and the

40 Tables in Commonwealth Year Book, No 27 (1934), p 506.

41. *ibid.*, p 510

42 Printed in Commonwealth Parliamentary Papers, *Papers Relating to the Coal Industry*, 21 February 1929, p. 3

43 For a comparative account, including an estimate of Australian coal supplies in ratio to world supplies, *vide The Economics of Australian Coal*, by F. R. E. Mauldon pp. 11, 14, etc., Melbourne University Press, 1929.

44. *Papers Relating to the Coal Industry*, p. 3.

state government a similar amount, but in January 1929 the miners' unions rejected the suggestion that their members ought to accept wage cuts. In May and June, the Commonwealth and state governments jointly appointed a Royal Commission—in the spirit of the hour when Royal Commissions were plentiful in both Commonwealth and New South Wales jurisdictions, sitting on national insurance, child endowment, taxation, civic corruption, and so on. Next year the Royal Commission reported,<sup>45</sup> finding that the main reasons for the special difficulties of the coal mining industry were (1) over development of both equipment and labour supply, (2) the stress of the competition of oil fuel and foreign coal, (3) excessively high prices, (4) uncertainty as to ability to fulfil orders and (5) continual industrial disturbances, and mutual hostility of employers and workers in the industry. One curious anomaly of the interlocking of the major Australian industrial interests was especially mentioned<sup>46</sup>

Almost all the coastal shipping companies have been interested as share holders since 1900, in the business of coalmining. Their holdings are mainly but not entirely in the Maitland field. Notwithstanding this fact, these companies have in recent years built ships for the Australian service either to burn oil under steam boilers or for use in Diesel oil engines, thereby entirely eliminating coal. The position plainly is that under present conditions the coal industry is not producing fuel cheaply enough to enable it to compete successfully with imported oil for the needs of Australian shipping, notwithstanding that high grade coal occurs and is mined close to deepwater ports.

The commission offered an illuminating table showing the advance in significance of oil supplied for fuel. It came to this: shipping which visited Australia or was engaged in the coastal trade in 1928 comprised an aggregate tonnage of 10.9m tons of coal burners and 3.4m tons of oil burners, and ships in the second category used 299,193 units of oil expressed as equivalents of tons of coal, as compared with 238,234 in 1926, 148,206 in 1924, and 29,809 in 1922. There was no radical alteration of the position after 1929, Australian coal production, coal for export, and coal for bunkers figures continued as a rule to shrink. Through these vicissitudes, however, the three mine-owning states of New South Wales, Victoria and Queensland retained the collieries which they had operated to produce coal for the public railway systems and other public purposes. The Victorian state mine, at Wonthaggi, was opened in November 1909, and transferred to the Railways Commissioners in June 1911. To June 1937 it had produced more than 12m tons of black coal, 1,140 men were employed. The New South Wales state mine, at Lithgow on the western field, was opened

45 *NSW Parliamentary Papers* session 1929-30 vol 3 for report

46 *Report*, p. 105

in September 1916. After a few months' working it was closed, then from 1921 until 1932 it was operated by the Railway Commissioners, from 1932, by the Mines Department. This mine produced more than half a million tons in 1931, and subsequently somewhat less per annum. Queensland has three state coal mines, which in 1938 produced 224 000 tons, somewhat less than the Victorian mine at Wonthaggi but about one-fifth of the total Queensland coal output, the mines are the Bowen at Collinsville, the Styx, north of Rockhampton, and the Mount Mulligan, a hundred miles inland from Cairns, North Queensland.

Of all the surviving state undertakings, excluding the railways and the great Victorian and New South Wales navigation works, the public industry based on the brown coal deposits about Moirwell and Yallourn, Victoria, is the most noteworthy. It dates back to 1918, when the Electricity Commissioners Act authorized the setting up of a public commission to control the generation, supply and use of electricity in Victoria. In 1924 the State Electricity Commission had its first generator, and a buquetting plant, in operation at Yallourn. Of the immense Victorian brown coal deposits, nearly 28m. tons had been excavated for the commission by mid 1938, and by that time a comprehensive system of transmission of current had been spread over much of the state and the buquetting plant was producing nearly 400,000 tons of fuel a year, two thirds of it for industrial use and the rest for domestic use, Victorian brown coal production in 1937 was 3 94m tons, compared with a black coal production of 0 258m tons. Yallourn, the nerve centre of this great system, was (oddly in the most conservative, politically, of the Australian states) something quite like a 'socialized town, with its inhabitants housed in commission built cottages, its state owned power plants and factories and brown coal open cut, its commission built model hotel, and its public amenities financed from the profits of its commission run department store—Australia's Magnitogorsk. In 1937-8 the State Electricity Commission contributed £0 875m of the state revenue of £27 615m. There were lesser state power schemes in New South Wales, Western Australia and Tasmania.

The whole of the railway systems of Australia, with the exception of a few hundred miles of privately owned track open to general traffic or reserved for particular purposes, continued to be owned and operated by the governments, the Federal government entering the field by constructing the trans-Australian line, from Kalgoorlie Western Australia, to Port Augusta, South Australia, in 1912-7. To a total mileage, in the year of federation 1901, of 12,579 miles, the governments added 3,500 miles of track in the ensuing ten years, and then more than 6,000 miles in the seven years ended

with the war of 1914-8. Nine years later, the total mileage open to traffic was 26,490 miles, including 967 miles of private track open to general traffic, Queensland (6,604 miles), New South Wales (5,892), Victoria (4,659) and Western Australia (4,649) being the principal users. By 1936-7, when the net addition of the nine years was only 1,407 miles, or less than a third of the addition made in the nine years preceding, Western Australia had moved up to third place, since 1932-3 the total mileage open had actually been decreased, economic depression having interrupted further construction, and Queensland and New South Wales having discontinued the operation of a few score miles of track.

So far, then, we have a conception of a producing community in which there is a steady shift of emphasis from primary to secondary production, though there is advance along all avenues except mining. It is a community whose products the state moves to the local markets and the seaboard (though the competition of motor carriers becomes increasingly serious). The state is permitted to raise coal for its railways, and here and there, to supply power for private industrial enterprises to use, but it did not remain long in the field of competitive production. It reserves some great monopolies, of which the transmission of the mails is highly profitable and the transmission of goods remarkably less so—but to the other great monopolies or virtual monopolies, which are in private hands, it offers no impediment. The outstanding examples of this class are, as has been indicated, the steel industry and the sugar industry.

Taking the steel and associated industries first, as the most important element in the manufacturing industry at large, we can assess, after contemplation of the various official descriptions and statistics, how rich a prize it was that private enterprise whisked away, under the nose of the Labour governments, when, about 1908-12, it was being decided whether capital goods production should be a public or a private affair. As to the relative importance of the metals group of manufacturing industries, it is to be noted that while manufacturing as a whole increased its relative contribution to all production, from a fifth of the total value in 1906, to a third in the 1920's, to nearly two fifths in 1936-7, the metals group made its way faster than any other, whether we use as a measuring rod the percentage of all factories, represented by the group, or the percentage of the total number of workers employed, or of the total horsepower used, or of the total value of manufacturing production, we find that the metals group represents about a fifth of the whole in 1906, about a quarter in the 1920's and early 1930's, and about three-tenths in 1936-7. Manufacturing industry has for thirty years been gaining on productive industry as a whole, and

the metals manufacture has been gaining on manufacturing industry as a whole.

Passing to consideration of the food, drink and tobacco group of manufactures, which in 1932-3 contributed rather more to the value of manufacturing production than did the metals group (£29.3m. *cf.* £26.3m.) but which in 1936-7 contributed a much smaller proportion (£36.2m. *cf.* £52.7m.), we note several interesting phenomena. The first is the shift of emphasis from consumption goods to capital goods manufacture which the comparisons just quoted suggest. Another phenomenon is the importance of the sugar manufacture, and, associated with it, a paucity of official information. Sugar milling (i.e., the crushing of the cane to get raw sugar) is conventionally described under 'Individual Industries' in the Commonwealth Year Book, and we find that the value of its production in 1932-3 was £2.1m. (value of output, £9.9m., less value of fuel and materials used, £7.8m.). But the other department of the sugar manufacture, refining, is accorded but half a dozen lines, which reveal little except that there were seven sugar refineries in Australia, and that the value of their output was £11.1m. These are the domains of the Colonial Sugar Refining Company Limited, a concern which in 1930 owned five of the thirty-five mills in Queensland, the great centre of Australian sugar production, but owned the largest, and crushed 23 per cent of the cane, and owned most of the refineries, and came to record a net profit in 1937-8 almost as great as that of B.H.P. The 1938-9 net profit of C.S.R. was £1,005,670, its shareholders' funds £17,522,434, and total assets £22,167,706.

Like important products of B.H.P. and its subsidiaries, the product of C.S.R. activities has long been protected by various legislation. In 1913 Commonwealth protection of the sugar industry was temporarily discontinued, after the recommendations<sup>47</sup> of the Commonwealth Royal Commission of 1912 on the sugar industry, by Commonwealth legislation (the Sugar Excise Repeal Act and Sugar Bounty Abolition Act 1912), and state supervision substituted by the state Sugar Cultivation Act, Sugar Growers' Act, and Sugar Growers' Employees Act of the Queensland parliament in 1912. A price fixing system was instituted for sugar by the Queensland parliament under the Sugar Cane Prices Act of 1915, while the Commonwealth declared an embargo on the importation of sugar. Subsequently a system of fixed home prices and embargo on imports of sugar was adopted, and renewed or varied from time to time by agreement between

47. *vide* Report, especially pp. lxii *et seq.*, for the Commission's conclusions with respect to C.S.R.

the Commonwealth and Queensland governments, and from 1924 a considerable export trade in sugar could be maintained, the £10m. canefields crop being in part exported, at a net value (in the early 1930's) of £8-£9 per ton, and in part sold for local consumption, at prices (in the early 1930's) of £24-£26. 10s. per ton for raw sugar, and £33-£37 per ton for refined sugar, wholesale, and 4d.-4½d. per lb., retail.

Of the other classes of manufacture, the most important are the two groups, clothing, and textiles and textile goods, note of which may be taken as if they were a single group. This group contributed £19 2m. to the total value of manufacturing production in 1932-3 and £24 5m. in 1936-7, or 16 per cent and 14 per cent respectively (another instance of the advance of a consumption goods manufacture being disguised by the sudden preponderance of the metals manufacture with the rearmament years). Whereas the metals industries are, as we saw, concentrated largely in New South Wales, and the sugar industry in Queensland (though much of the refining is done in Victoria and some in New South Wales, South Australia and Western Australia), the clothing and textile manufactures belong to Victoria more than to any other state. Second to the metals group in the amount of employment which it gave in 1936-7, this department of manufacturing is notable especially for the woollen and hosiery and knitting mills which its aggregate plant includes. There had been a woollens manufacture in New South Wales since 1800, within a dozen years of the first white settlement, and in Victoria only since 1867, when the Victorian Woollen Mills were established at Geelong,<sup>48</sup> but by 1936-7 Victorian mills employed 10,000 of the 19,000 woollens workers, and contributed half the total value of the woollen mills' production (total, £4 2m.), and Victorian knitting and hosiery mills employed nearly 12,000 of the 17,000 workers (mostly females) in this branch, and contributed 68 per cent of the total value of its production, £3 6m. This industry was the flourishing female child of the system of tariff protection instituted in Victoria in the 'seventies. Prior to the second world war it was not an export industry (only part of 1 per cent of Australian clothing and textiles production being exported), but, as its ranking in the list of manufactures shows, it had obtained a considerable local market for its products, after the expectation of an expert who wrote in 1888, 'There is a certain opening available now, and it will increase rapidly, but the main difficulty is that

48 *vide* the article, 'Geelong's Woollen Mills,' at pp. 74-80, Dennys, Lascelles *Annual*, 1926. After the Victorian mill, the Albion was opened at Geelong in 1869, the Union in 1874, the Barwon in 1876, the Federal Woollen Mill, started at Geelong by the Commonwealth Labour Government in 1915, showed a total profit of £220,000 in the seven years of its operation, up to its sale in 1922 for £238,000 to a private (chiefly Geelong) syndicate.

the total Australian demand for manufactured woollen goods is too small.<sup>49</sup> However, where there were only three million Australians then, there were seven million half a century later, and by that time the prophecy had been fulfilled—'A large proportion of the population, unfit for heavy manual labour, is already beginning to feel the want of suitable employment and ready to accept lower wages. New kinds of work will soon be desperately sought after, and then the development of manufactures will be rapid.'<sup>50</sup>

## ii *The Financial Basis*

Possibly the financial basis of Australian production, which has been constant ever since private capital became an influential factor in Australian public affairs a hundred years ago, is best understood by reference to two considerations which have ruled throughout. The first is the large varying proportion of total investments in Australia which consists of British capital. The second is the Australian system of public management of a great proportion of private investments, with which has come to be associated the private direction of the public management of these investments.

These considerations made themselves obvious immediately, in the 1830's, New South Wales and Tasmanian legislation had smoothed a path to Australia for British finance capital to tread. It was chiefly British capital, applied through the Bank of Australasia and the Union Bank of Australia, which were created for this purpose, that financed the first major economic development in Australia, namely the pastoral extension, which was a private enterprise. And though already, in that decade, the government was managing a large private investment in immigration, it was the banks, and above all the British banks, which had provided the funds with which capitalists could buy land and the government could buy labour for the capitalists to employ. Already in the 1830's, the economic direction of Australia was being determined by the Australasia and Union Banks, and not by the government, except as their voluntary or involuntary agent. It was at this time that the inextricability of public from private financial concerns became the Australian rule.

A century later, in the 1930's, this close connection was demonstrated as patently as it had been in the days when the governor of New South Wales had had to go to the British-Australian banks

49 From a (technical) paper read by W. H. Chard to the Australian Economic Association 'The Manufacture of Australian Wool in Europe, America, and the Causes preventing similar Manufacturing in Australia,' printed in the *Building and Engineering Journal of Australia and New Zealand*, 6 October 1888, passage cited, at p. 201.

50 *ibid*

for help with his immigration finance. But by this time there was an impressive machinery of public finance which was operated by the state in conjunction with private capital interests. From 1920, an Australian Loan Council composed of representatives of the seven governments had been responsible for allocating sums for developmental expenditure by the Commonwealth and the states, and from 1924, the amount to be made available for such expenditure had rested with the Commonwealth Bank Board to decide—a board, administering a state bank capitalized with public money, which was made up of two government representatives and six representatives of private capital. And the reservoir from which this public-cum-private control board drew, a reservoir from which £1,275m. of loan money had been drawn by 1937, had been fed by British capital to the extent of £544m.

There was still something essentially 'colonial' about the Australian economy, still a very effective measure of economic control by British capital interests by virtue of their investments in Australia. For the fact is that, for reasons which have been demonstrated earlier in discussion of successive phases of Australian economic history, in Australia the state has at all times exercised economic functions of a magnitude comparable with the operations of private capital applied by private enterprise, and of such diversity that they permeate most productive activities. And because of this in turn, the financial articulation of the community has steadily taken a peculiar bias, which reveals itself to-day in an extraordinary concentration of private capital in the more profitable fields of production, and in a constant close connection between the private and public agencies of economic development, in the management of the less profitable fields of production and service. For here, also, it is private capital that must bear the brunt if crisis comes, by paying taxes or in other ways, and it was private institutions that managed the state's entry into these fields. Having assumed, in the 1850's, responsibility for great enterprises of economic development—railways, and so on—the state had to obtain finance to undertake them. The banks obtained the finance, for the most part from British investors. And as time passed and the public undertakings became more extensive, the banks adapted their organization to the larger operations—a process which by the 1930's had reduced their number to nine (and the Commonwealth Bank), as compared with twenty-five at the end of the nineteenth century and twenty at the outbreak of war in 1914.

An unbroken thread stitches between the Forbes Act of the nominee council in New South Wales in 1834, by which the entry of private capital for investment was facilitated, and the Common-

wealth Bank Act of the national parliament in 1924, by which representatives of private capital were given control of a board which should dispose private capital for investment in public undertakings. The economic history of Australia is strung along this thread.

Turning to the sequence of events (and bearing in mind the directions which capital investment and public assistance have taken during the past half century), we find in the series of *Australasian Joint Stock Companies' Year Books*, published in Melbourne for R. L. Nash in 1898, 1899, 1900, 1902, 1904, 1907, 1909 and 1914, and Jobson's *Digest Year Book of Public Companies of Australia and New Zealand*, published annually from 1928, some indices of the operation of the two factors mentioned above as ruling. When Nash began his surveys, the tide of British capital was receding from Australia, after the setback of the early 'nineties. But in 1897 British capital was by far the preponderant element in Australian public and company finance. Nash wrote of the capitalization of Australian joint stock companies,

The amount which the British investor has contributed . . . is enormous, and there is no doubt that in this form the stake of the Home capitalist in Australasian enterprise is far in excess of that held by the investor here.<sup>51</sup>

Reckoning the finance of banking, insurance, gas and water, shipping, coal, gold, silver and other mining companies, trading companies and 'development and mining finance companies,' he made the ratio of British to Australian capital investment, 3 to 1. The British holding in public bonds of the seven colonies (New Zealand included) was even higher in proportion, 9 to 1 in an aggregate public debt of £230m. However, in 1913 the result of Nash's stocktaking showed a change. These are his reckonings for three non-consecutive years:<sup>52</sup>

#### INVESTMENT IN AUSTRALIAN AND NEW ZEALAND JOINT STOCK COMPANIES AND PUBLIC BONDS

Year	Australasian Capital	British Capital	Total paid up	Total Interest and Dividends	
	£m.	£m.	£m.	£m	Av %
1899 .. ..	142.119	387.314	529.433	19.5	3.7
1908-9 . . .	208.134	360.012	568.146	26 12	4.6
1912-3 .. ..	293.091	383.842	676.933	34 11	5.04

51. *op. cit.*, 1898, p. xii

52. *op. cit.*, 1913-14, p. xxxi.

It will be seen that while total investment in 1912-3 was 28 per cent higher than total investment in 1899, Australian capital investment had increased by 106 per cent, Australian investors who fourteen years before had contributed something more than a quarter of the subscription of government and company issues, now in 1912-3 contributed something more than two-fifths. 'Fourteen years ago,' Nash commented, 'there was £66,000,000 of British capital in the trading companies' section (largely in mortgage and land companies), and the total has now sunk to £47,000,000.'<sup>53</sup> And it is significant that the bound upwards took place between 1908-9 and 1912-3, the period of the first fine careless rapture of the New Protection, the period of steady prices and good seasons, after the drought of 1901-2 and an economic reverse in 1907, a period during which the states continued (until 1911) to receive three-quarters of the Commonwealth Customs and Excise collections as provided by section 87 ('the Braddon clause') of the Commonwealth constitution. As to the relevance of this last, it lies in the fact that the operation of the Braddon clause encouraged capital, by ensuring that a large proportion of state revenues should be collected by indirect taxation, thus avoiding the necessity of a considerable income tax which would affect the investing classes rather than the working majority, and the Commonwealth levied no income tax yet, while it did make a practice of giving bounties and rebates of excise duty.

At this time the list of Australian banks was identical with the list of those that had survived crisis early in the 'nineties, save that the great station-owning Australian Joint Stock Bank, which ever since 1893 had walked with a limp, was absorbed into a new Australian Bank of Commerce in 1909. Of the remainder of the twenty banks of issue, the Adelaide, Australasia, New South Wales, Commercial of Australia, Commercial of Sydney, E.S. & A., National, Queensland National, and Union were still in operation in 1939 (besides two lesser concerns in Ballarat and Brisbane). The A.B.C., North Queensland, Victoria, City, Colonial, Commercial of Tasmania, London, National of Tasmania, Royal, Royal of Queensland, and the Western Australian Bank had been absorbed by members of the narrowing coterie of Associated Banks, during the previous quarter of a century. The development of the Commonwealth Bank, and its acquirement of some central banking functions, will be considered presently.

The great pastoral companies, largely with British finance, had continued to play their important part in the organization of the principal Australian export industry, the wool industry, and thence in the economic direction of the country. The immensity of these

53. *op. cit.*, 1913-14, p. xxvii.

finance companies, which for three quarters of a century past have conducted a great volume of pastoralists banking business, sold their wool, acquired and managed stations, and acted as agents for overseas shipping lines, manufactured products, etc., can be suggested by mention of the dimensions of one or two of them. The Australian Mercantile, Land and Finance Co Ltd, second oldest of the Anglo Australian investment companies, was incorporated in London in 1863. In 1884 about the time when a large proportion of British capitalists' interest in Australia began to be vested in companies of this character, the AML & F (the M stood for 'Mortgage' until 1910) handled share capital, debentures and reserves totalling £2,354,700, in 1897, £3,070,000, in 1913, £2,920,000, in 1938, £3.4m<sup>54</sup>. The company, keeping its share register in London paid 20 per cent per annum dividend for many years up to 1891, then dividends down to 7½ per cent in 1901, then a dividend was missed, but in subsequent years the annual dividend grew, to 12½ per cent per annum (with bonus) in 1907-12. After the next great depression the company was paying a 6 per cent dividend in 1937 and 5 per cent in 1938. The New Zealand Loan and Mercantile Agency Co Ltd, another colossus, was registered in England soon after the AML & F Co in 1865. In 1884 its share capital, debentures and reserves stood at £3,386,089, in 1897, £3,449,441 in 1913 £3,901,690, in 1938, £4.5m. In the same class are Dalgety & Co Ltd, registered in London in 1884 to take over various Australian businesses, whose paid up capital, debentures and reserves amounted in 1938 to £3,937,078, and the Australian firm of Goldsbrough, Mort & Co Ltd, registered in Victoria in 1887 on the amalgamation of Mort's large Sydney with Goldsbrough's large Melbourne concern, whose paid up capital, debentures and reserves amounted in 1938 to £3,901,690.

In the 1930's the public revenues, about two fifths of which came from public business undertakings, were collected by the Commonwealth mainly from customs, excise, income, land and other taxation besides business undertakings (postal and railway services, about 18 per cent of Commonwealth revenue), and by the states mainly from business undertakings (about 47 per cent), taxation, Crown lands, and payments by the Commonwealth. The Commonwealth revenue in the 1930's was usually equivalent in amount to about three quarters of the aggregate of the six states' revenues. But in addition to expenditure from these consolidated revenues, the seven governments account for a large expenditure

<sup>54</sup> The information in this paragraph is from an article 'Scottish Capital Abroad' in *Blackwood's Magazine* October 1884 pp. 468-480. R. L. Nissh's *Australian Joint Stock Companies Year Book* 1898 and 1913-14 and the *Digest Year Book of Public Companies of Australia and New Zealand for 1939*, Sydney, Jobson 1939.

from loan funds. In 1897, before federation, 91 per cent of the aggregate debt was owed to British investors, in 1913, 70 per cent, and in 1938, 54 per cent (besides 3.5 per cent raised in New York).<sup>55</sup> Public borrowing has been administered centrally, of recent years, and it will be convenient to describe the modern system in the course of brief note of the various forms which financial relationships between the Commonwealth and the states have taken since federation was accomplished at the beginning of the twentieth century. In the first forty years there were three phases.<sup>56</sup>

Section 87 of the Commonwealth constitution, 'the Braddon clause,' governed Commonwealth-state relationships for the first ten years, 1901-10. It reads

During a period of ten years after the establishment of the Commonwealth and thereafter until the Parliament otherwise provides, of the net revenue of the Commonwealth from duties of customs and of excise not more than one-fourth shall be applied annually by the Commonwealth towards its expenditure. The balance shall, in accordance with this Constitution, be paid to the several States, or applied towards the payment of interest on the debts of the several States taken over by the Commonwealth.

This was the financial consideration of federation, by which the states should not lose immediately, access to what had been the principal sources of their revenue as self-governing colonies. The Commonwealth did not yet take over the state debts, and the states continued to meet their own interest bill due to investors at home and overseas.

A second system of Commonwealth-state financial relationships came into operation on 1 July 1910, whereafter, under the Surplus Revenue Act of the Commonwealth (No. 8 of 1910, continued by subsequent acts), *per capita* payments were made to the states by the Commonwealth—25s. per head of each state's population, to the state each year by monthly payments, plus payment of surplus Commonwealth revenue, according to population, plus special payments to Western Australia. This arrangement continued in force for seventeen years.

Then in 1928, after the passage of Financial Agreement Acts by the Commonwealth and state parliaments, and after a referendum of the people (one of the three referenda which returned an affirmative majority of states and all voters) to amend the constitution, section 105a of the Commonwealth constitution provided for the Commonwealth's taking over the state debts and paying to the

55. From Nash's statistics, *op cit*, 1898, p. liii, 1913-4, p. xxxi, and Commonwealth Year Book No. 31 (1938), p. 944. Statistics given in this section, and not otherwise attributed, are from the Commonwealth Year Books.

56. The description in the text is summarized from the excellent digest in Commonwealth Year Book No. 27 (1934), pp. 396-8.

states a fixed annual sum towards interest and sinking fund payments. Previous to this arrangement (which has been supplemented<sup>57</sup>) special grants, as authorized by section 96 of the constitution, had been made to the states of Western Australia and Tasmania, and from 1929-30 a special grant was made annually to the state of South Australia. A special grant was made to every state in 1930-31, for application to the relief of unemployment. The Financial Agreement Validation Act of the Commonwealth (No. 4 of 1929) then implemented the financial agreement between the Commonwealth and the states, arrived at by a Premiers' Conference in Melbourne in June 1927.

At this time the aggregate net debts of the states amounted to more than £641m., including £234m. owed by New South Wales, £137m. by Victoria, and £102m. by Queensland. Part I, clause 3, of the Financial Agreement placed the Australian Loan Council on a regular footing—it had been functioning as a voluntary body, an affair of convenience, since 1920—and clauses 4-6 governed future borrowings by the seven governments. It was provided that each government should submit to the Loan Council each year its loan programme for a year (except arrangements for conversion, renewal, etc.), including any revenue deficits for funding. The council might decide that the total amount required could not be raised under reasonable rates and conditions, and in that event it might by unanimous decision allocate the determined amount between the Commonwealth and the several states. In case unanimity could not be reached, the Commonwealth was to be allocated a fifth or less of the total decided upon, and each state was to be allocated that proportion of the whole which was equivalent to its share of the total loan expenditure by the states during the previous five years. The Commonwealth should arrange for all future borrowings.

Subsequently, in 1932, the state of New South Wales failed to make certain interest payments, as provided by the Financial Agreement, and after the Commonwealth parliament had passed a Financial Agreement Enforcement Act (No. 3 of 1932) to bring the state (Labour) government up to the mark, the New South Wales government pleaded that the act was invalid and an infringement of state rights; but the High Court (by 4 to 2) dismissed the action and refused leave to apply to the Privy Council. The Commonwealth had established itself as the paramount power in Australian public finance, and the Commonwealth acted, in this sphere, with regard as a rule to its banking institution, the Commonwealth Bank.

<sup>57</sup> The states were excluded from the income taxation field from 1942, and a further proportion of Commonwealth revenue made payable to them in compensation.

The Commonwealth Bank was opened in 1912 by a governor (Sir Denison Miller) appointed by the Fisher Labour government in pursuance of its powers under the Commonwealth Bank Act passed in December 1911 (No. 18 of 1911). The year before, new currency arrangements had been foreshadowed by the Australian Notes Act (No. 11 of 1910), which authorized the issue of Commonwealth notes and forbade the circulation by the banks of state Treasury notes, and by the Bank Notes Tax Act (No. 14 of 1910), which imposed a tax of 10 per cent on notes of the banks which had been or might be banks of issue. (But, curiously, there was still £180,397 in bank notes in circulation in 1932-3, according to the Statistical Summary in the Commonwealth Year Book.) But the bank was not to have the sole right of note issue (it did not obtain this until after the passage of Commonwealth Act No. 14 of 1920, forbidding further state issues and setting up a note issue department of the bank), and it was not to cajole business from the existing trading banks, it was not to be the instrument of the public control of credit (*vide* Chapter VII, v). The aim of the Labour government in establishing the Commonwealth Bank seemed at length to amount to nothing more than to obtain a share of what new banking business might be forthcoming as the national economy moved forward, so that out of the hypothetical profits some amounts might be set aside for the redemption of the public debt. These modest objects were realized, the bank being commercially a success from the outset. But it was not until the bank's constitution was changed by special legislation (No. 15 of 1924), and six 'persons who are or have been actively engaged in agriculture, commerce or industry' appointed directors, that the Commonwealth Bank came to fulfil some of the functions of a central bank, and, having the last word for the ear of the political Loan Council, came to complete that nexus between public and private finance which is now part of the economic constitution of the Commonwealth. In 1931 an unsuccessful attempt to reconstitute the bank as primarily a public institution, under a government-appointed governor, was made by the Treasurer of the Commonwealth Labour government, E. G. Theodore. (But later the change was made.<sup>58</sup>)

However, to take note of the history of the bank: the Commonwealth Bank commenced operations on a basis of £10,000 from the Treasury, to which it did not have occasion to turn again. Its first balance sheet, of 31 December 1912, showed modest assets of £616,000, including £240,000, fixed deposits of other banks, and

<sup>58</sup> A new phase of Labour government began in October 1941, and in 1945 the Commonwealth Bank Act was amended by the Labour majority so as to abolish the bank board and substitute a governor responsible to the Treasurer

a loss, on the operations of the first half-year, of £14,606. 3s. 11d. General banking business was commenced with the ensuing new year and the second half-yearly balance sheet, published on 30 June 1913, showed deposits of nearly £2 2m., a considerable proportion consisting of the funds of trade unions, which appear to have been under the impression that 'the People's Bank,' long spoken of, was now a resplendent fact. There was again a loss on operations, but from the third half-year profits were recorded, to an amount, in the first half of 1921, for example, of more than £400,000. During its first twelve years the bank, directed by its governor, worked without capital, profits having gone, from the first, in equal shares to a Reserve Fund and a Redemption (of the public debt) Fund. When the 24th balance sheet was published, on 30 June 1924, the Reserve Fund stood at £2:327m. and the Redemption Fund at £2:202m., representing a net accumulated profit of £4 529m., fruit of twelve years' operations—operations which included the flotation of seven war loans.

The Commonwealth Bank Act of 1924 authorized the transfer of £4m. from these funds, to be the capital of the bank, provided for the establishment of a board of two official and six unofficial directors, to manage the banking and note issue departments, and provided that the bank should fix and publish its discount rate, and that the Associated Banks should settle their exchanges through the Commonwealth Bank. The first board consisted of J. J. Garvan (chairman), R. S. Drummond, Sir S. Horden, J. Mackenzie Lees, J. R. Collins (Secretary to the Treasury), Sir Robert Gibson, James Kell (Governor), and R. B. W. McComas. Sir Robert Gibson succeeded to the chairmanship in 1926, and he in turn was succeeded, after his death at the beginning of 1934, by Sir Claude Reading. E. C. Riddle had in the meantime been appointed governor of the bank.

When economic crisis came in 1930, the 'People's Bank' had had six years of the new form of control, and Sir Robert Gibson, as chairman, was in a position to instruct the Commonwealth government how to deal, or at the least, how not to deal, with the crisis and its consequences. The situation on the eve of crisis was essentially that Australia then had overseas interest obligations of about £5 per head; that exports, which for years had not sufficed to pay for imports, were only £21 per head in 1928-9, compared with imports, £23 (1926-7, £27); that all governments showed deficits on their recent operations (£1. 15s. per head of population, in 1929-30). Then world price levels fell steeply, and Australian export price levels yet more steeply. Import prices fell relatively gradually, while interest obligations remained fixed, overseas loans

were already cut off in 1928, government deficits moved upwards in 1930-1 and 1931-2. Index numbers of Melbourne wholesale prices fell from 1803 (all groups) in 1928 to 1428 in 1931. The fall in prices for the important 'cotton, wool, leather' group was still steeper, from 1781 to 1039 in three years. The Commonwealth Statistician calculated that Australian export prices fell by nearly half, from a base of 1000 in 1928, down to 564 in 1931.

The group in which wool is included found bottom level in March 1933, for which month the index number is 997, compared with 1,781, average in 1928. Metal and coal prices kept on falling slowly through 1933 and 1934. Agricultural produce, which had stood at a level of 2,000 in 1926, twice the average of 1911 prices, struck bottom in 1,084 in February 1933. Dairy produce prices did not fall so low, but moved at comparatively low levels until well on in 1934. Wholesale prices as a whole reached bottom at 1,330 in February 1933. The world price fall had disastrous effects on the value of Australian exports, chiefly items of primary production, the value of which fell early and far. The quantity of greasy wool exported in 1930-1, 767m. lbs., was rather greater than that of 1928-9, 759m. lbs., but it realized only £29.3m., compared with £55.6m. for that portion of the 1928-9 clip which was exported in the grease. The price per bushel of Australian exported wheat fell from 5s. in 1929-30 to 2s. 5½d., next year, and remained about or below 3s. for the three harvests succeeding. Australian butter exported in 1929-30 realized £7m. and 1933-4 exports realized £9.3m.; but 244m. lbs. was exported in 1933-4, compared with 108m. in 1929-30.

A Labour government was in office (but, lacking a Senate majority, not in power) at the time of crisis. Short-term borrowings amounting to £28.5m. were arranged in London during 1930, in April of which year seventy-eight items were declared prohibited imports by proclamation, and practically prohibitive surcharges over and above ordinary customs duties were imposed on other items of import. In February 1931 the Commonwealth Arbitration Court, after an application by the Victorian and New South Wales Railways Commissioners for variation of the basic wage, reduced 'real' wages by 10 per cent over most of the field of employment which lay in the Court's jurisdiction. A month earlier, the Bank of New South Wales unpegged the Australia on London exchange as far as transactions through it were concerned, and by the end of January, the other banks following suit, the Australian pound stood at 30 per cent discount. On 2 April the chairman of the Commonwealth Bank Board wrote to the chairman of the Loan Council, stating that the Board could not finance the governments beyond £25m. outstanding

in London, and £25m. in Australia. This 'call a halt' action, so significant of the post-1924 rôle of the Commonwealth Bank, with its manufacturer-chairman, was taken a fortnight after the Bank of New South Wales had pointed to the remarkable fall of the market price of shares in representative companies, and of the amount of their dividends. "Out of 3,500,000 electors", the bank quoted from the Commonwealth Auditor-General's Report, 'there are only 264,766 individual payers of income tax.'<sup>59</sup> The implication was that the taxable field must be widened, so that more persons might contribute their mite to national recovery. The average decline of the market price of shares 'in some well-known companies' cited by the bank was, in January 1931, 46.6 per cent of the January 1930 price and dividends were down 23.8 per cent.

In April the Federal Treasurer attempted without success to obtain the passage of five emergency measures designed to meet the situation that prices and wages had fallen, business was stagnant, and the unemployment roll was mounting to hundreds of thousands. His plan provided for (1) a Central Reserve Bank, to be 'the legal and compulsory custodian of the reserves of the trading banks, a function at present discharged by the Commonwealth Bank.'<sup>60</sup> and with authority to make loans to the government, (2) the reconstitution of the Commonwealth Bank under a manager to be appointed by the government, (3) the abolition of the requirement of a 25 per cent gold backing for Commonwealth notes, (4) the Treasurer to have authority to issue an additional £18m. worth of notes, and (5) an advisory board which would advise the Treasurer upon interest rates on deposits and advances. Earlier, the Labour premier of New South Wales, J. T. Lang, had proposed the reduction to 3 per cent of interest on government bonds held in Australia, the abolition of the gold standard, and the withholding of interest due overseas pending overseas bondholders' agreement to accept a reduced rate of interest. But the two Labour specifics were dismissed as 'inflation' and 'repudiation' respectively, and the Bank Board and the Loan Council preferred a solution which was generally accepted as entailing 'equality of sacrifice.' A committee of economists and Treasury officials prepared the remedy which was adopted by the Premiers' Conference on 10 June and publicized as 'the Premiers' Plan.'<sup>61</sup> The report of the conference which adopted the plan began,

The Governments of Australia have met in conference to consider what measures are possible to restore solvency and avoid default. The national

<sup>59</sup> *Bank of N.S.W. Circular*, vol. 1, no. 6, p. 4, 18 March 1931.

<sup>60</sup> *Bank of N.S.W. Circular*, 1, 7, p. 1, 5 May 1931.

<sup>61</sup> The 'Plan' is printed on pp. 893-7, C.Y.B. No. 27 (1934).

income was £650,000,000 in 1927-28. It fell to £564,000,000 in 1929-30, and a further fall to £450,000,000 in 1931-32 is estimated.

This has reacted on Government finance

The total deficit of the seven Australian Governments will be £31,000,000 for the present financial year. The Governments are now going behind at the rate of £40,000,000 a year, in spite of reduction of expenditure amounting to £11,000,000 per annum since 1929-30. The deficits have been met hitherto by bank overdraft. The Commonwealth Bank has notified the Governments that the limit to that process has been reached. Early in July, Governments will have insufficient means to meet their obligations.

On 19 June the minimum gold backing for notes was reduced from 25 to 15 per cent, on the 26th the Commonwealth and trading banks reduced fixed deposit rates by 1 per cent and in July the Commonwealth and trading banks reduced the interest on advances accordingly. There remained, *inter alia*, the charge on that portion of the public debt which was due to Australian bondholders. They, or 97 per cent of them, agreed to conversion to a lower rate of interest; this represented a saving of £6.5m. a year. Relief from the full burden of the charge on the overseas debt came from September, when England went off gold, and the pound stood at a 20 per cent discount in gold currency terms. Later much of the overseas debt was converted to a lower interest basis. The aggregate of government deficits, which was £25.37m. in 1930-1, and was estimated for 1931-2 at £41.08m. before the 'Plan' and £12.66m. after it, was £19.49m. in 1931-2, £4.537m. in 1932-3, and £5.511m. in 1933-4, the Commonwealth showing surpluses, totalling £6.173m., in each of the four years from 1931-2 to 1933-4. Workers under awards had to wait several years for the restoration of their wages (*vide* iv (a)).

In review, then action by the Commonwealth Bank Board in April 1931 had been effective in forcing the two major Australian Governments, those of the Commonwealth and the state of New South Wales, into adopting policies quite different from those which they had proposed (and the premier of New South Wales was dismissed by the governor, Sir Philip Game, in the process, May 1932). What is of permanent interest, with regard to these affairs, is not whether Mr. Theodore, or Sir Robert Gibson, or Mr. Lang, or Professor Copland, had the economically best specific, what is of interest about 'the battle of the plans' is that agencies which were not the responsible agencies, dictated the plan which the governments, the responsible agencies, were then charged to carry out. This was an interesting instance of the development to which reference was made at the opening of the present section. The other basic factor mentioned there, namely, the British investor's significance in Australian economic life, is equally prominent in the history of this 'battle' of 1931-2. Throughout the decade of the

1920's, the Australian governments had been borrowing overseas at an average rate of £24m a year, the total of loans floated actually exceeding £40m in each of the four years 1922, 1924, 1926 and 1928. Naturally, this accumulation of liabilities became of immense importance after the world price fall, especially of primary produce. At the beginning of the twenties, substantially the greater part of the charge on the public debt was payable in Australia (£21.4m in 1920/1, out of a total charge of £37.8m). But in mid 1928 when demand for Australian bonds failed on the London market and the total debt charge was £55.1m or 47 per cent higher than it had been seven years earlier, the total of interest due overseas for the year was almost as great as the amount due locally £27.5m of £27.6m, and 68 per cent higher than it had been in 1920/1.<sup>62</sup> This illustrates one aspect of the undoubted truth enunciated by the first Commonwealth Statistician as Australia's progress is largely the result of Australia's debt.<sup>63</sup>

### III Markets

So far, in this history, we have noticed the emergence of several forms of state activity in the economic field. By land selection legislation from the 1860's, by railway construction from an even earlier date, by irrigation and water supply works from the 1880's and by closer settlement and advances to settlers legislation from the 1890's, the state devoted an immensity of effort and public money to the establishment of a class of small producers. Again by protective customs tariffs the state exerted itself in Victoria from the 'sixties and in the country generally after 1901, to establish a class of manufacturers. For this, too, the whole community paid.<sup>64</sup> Thirdly, from the 'nineties most Australian governments accepted the principle of state regulation of wages, it is not clear who paid this piper, but that is a matter for consideration later. Fourthly, public competition with private enterprise in some fields of production was engaged in by the governments of New South Wales and Queensland over a considerable period after 1911, at an early stage of the present chapter it was suggested that this activity was beyond accountancy—we cannot know whether it

<sup>62</sup> vide particulars in tabular form over a wide period of years in *Capital Imports and the Terms of Trade* by Roland Wilson p. 36 (Melbourne University Press 1931) and *Bank of NSW Circular* 13 p. 30 September 1930.

<sup>63</sup> Sir George Knibbs in *The Australian Commonwealth* etc. (1908) p. 77.

<sup>64</sup> The price of Protection is a question closely considered in *The Australian Tariff: An Economic Enquiry* by various authors (Melbourne University Press 1929). The authors give a summary of their conclusions on pp. 16 at p. 3. We estimate that Australian products which are protected cost £36m more than the same goods could be imported for duty free (presumably this is the estimated excess cost per annum their italics). See also J. F. Nimmo's chapter 'The Effect of the Tariff on the Australian Consumption Standard' in *Australian Standards of Living* by various authors (Melbourne University Press 1939).

was as taxpayer or as shareholder that industry' paid for the state factories and shops and ships, or how much. Later than any of these forms to emerge, was state fixing of export standards for produce, and the provision of over-seas marketing aids, for which the community at large paid when it bought its butter. This marketing development may be considered presently, as an incident of the general development of Australian over-seas trade from the position described in Chapters V and VII.

The first point to be clear upon is which classes of industry contribute to the volume of exports? (The historical corollary—have some classes of industry been diminished as exporters, and have others appeared or increased in importance?—has been discussed in connection with the development of production. Generally, mining contributes relatively less to the total value of exports, than it did in the first decade of the century, cereals and dairy produce have advanced in relative importance, and wool remains in its old pre-eminence.) The table below shows the principal departments of production, and their several contributions to the export trade.

PRINCIPAL COMMODITY GROUPS  
(Average per annum, 1927/8/1936/7)

—	Percentage of total production	Percentage of total exports	Percentage of produce exported
Agricultural	20.42	24.07	36.52
Pastoral	23.33	51.76	68.7
Dairy and Farmyard	12	8.79	22.7
Mining	5.07	10.27	62.76
Forestry and Fisheries	2.72	1.11	8
Manufacturing	36.46	3.99	3.39

Both the pastoral and mining industries, it will be noted, export about two thirds of their production, but the value of the pastoral export is more than half the value of all exports, that of the mining export, only a tenth. More than a third of agricultural production is exported, making up about a quarter of the total value of exports. It will not do to put the manufacturing industry, which contributes more than a third of the total value of production, quite as low as the table rates it, as an export industry.<sup>65</sup> For some constituents of agricultural and dairying production—sugar, butter and cheese, for example—have been subjected to a process of manufacture, but are included under agricultural or dairying exports, and 'value added' in the course of manufacture is the only item

<sup>65</sup> In the post war year 1946/7 manufacturers made up a substantial part of total exports—£55m out of £308m (17.9 per cent) cf. £10m out of £135m in 1938/9 (11.1 per cent).

of the value of the manufactured article that is included under 'Manufacturing' in the table, the buyer overseas buys the manufactured article as a whole, but the table excises the value of the raw material manufactured, which in most cases makes up a large proportion of the cost and therefore of the price.

There have been great changes in the value of the several contributions to the export trade. Twenty years after 1913, in the year of depression 1932-3 pastoral exports were still worth more for the year than in 1913, the agricultural produce exported was worth nearly three times as much as in the 1913 export, the dairy export more than three times as much, minerals not half as much, manufactures more than 70 per cent above the 1913 export. (The general level of prices was perhaps 40 per cent higher in 1932-3 than in 1913, so that the minerals export had fallen off more, and the gain in the other classes of exports was less, than would appear from these comparisons.)

Had changes as remarkable taken place in the *direction* of large quantities of Australian produce exported? The next table<sup>66</sup> shows that great changes have taken place in this respect, chiefly, that a much larger proportion of Australian produce went recently to non-British countries than was the case in the period before the newer export industries were built up, and before the auctioning of wool in Australia had gone far towards bringing about direct export to foreign countries of wool bought in Sydney, Melbourne and elsewhere by foreign buyers.

PERCENTAGE OF TOTAL AUSTRALIAN EXPORTS SENT TO VARIOUS DESTINATIONS

—		Average 1887-91	Average 1902-6	Average 1928-9/1932-3	1937-8
		%	%	%	%
United Kingdom	..	74.7	46.1	44.4	51.7
British Possessions		8.5	25.1	11.4	13.18
Foreign Countries	..	16.8	28.8	44.2	35.12

In a similar comparison, Australian *imports* from the United Kingdom fell from 70 per cent to 58.4 and 40.9 per cent, then rose in 1937-8 to 41.49 per cent, imports from other British possessions rose from 12.4 to 13.6, 14.3 and 15.66 per cent, and imports from

<sup>66</sup> Percentages from (or from statistics in) Commonwealth Year Books Nos 27, 31, pp. 248-251, 507-9, respectively, and Knibbs's *Australian Commonwealth*, etc. (1908), pp. 63-8.

The remarkable bound upwards of Australian exports to British possessions (average 1902-6) was due largely to a sudden great increase in exports to Ceylon and India, up to £7 6m.

foreign countries rose from 17·8 per cent to 28 and 44·8 per cent, then fell a little, to 42·8 per cent. In 1928-9/1932-3 the British share of Australian total trade overseas was 55·5 per cent, compared with 71·6 per cent about a generation earlier.

Public marketing arrangements, in their application both to the encouragement of particular classes of export goods, and the encouragement of import goods from particular countries, of course date back much further than the 1920's. The practice from the early years of the Commonwealth was to give bounties upon some items of Australian production, and at a later stage we find the practice extended to encourage the export of some of these items. But public attention, at the early stage, was fixed rather on the movement of goods in than the movement of goods out, and it was the principle of tariff preference to British imports, embodied in the Customs Tariff Act 1908, that loomed larger than any other consideration in the make-up of Australian overseas trade. Except that the Customs Tariff (South African Preference) Act 1906 gave a preference to imports from South Africa, in certain categories, arrangements that were continued until 1926, the Commonwealth did not discriminate in its import market in favour of any other country than the United Kingdom until the early 1920's; there were only these two 'favoured nation' arrangements, the lesser (South African) being a reciprocal one, the arrangement with the United Kingdom being unilateral—and in itself sufficient *prima facie* evidence of the importance of the British economic stake in Australia and the influence which that stake exerted. For a long time, this simple form of regulation of the Australian market persisted—a high general tariff was imposed and re-imposed, with the object of encouraging local manufacturing enterprise, and a large range of British goods was admitted upon the payment of customs duties considerably lower than those in the general tariff schedules, which applied to all other countries except South Africa.

But as Australian production and trade grew, and an important two-way trade was developed with a number of non-British countries, this quite primitive 'colonial' regimen became something of an anachronism. Accordingly, from 1921 the Customs Tariff Acts distinguished three forms of tariff, the General Tariff, the British Preferential Tariff, and an Intermediate Tariff. The intermediate tariff, the incidence of which was to fall upon countries with which special trading arrangements might be made, became of importance in the 'thirties. In the decade previous, the most notable developments were arrangements to give special privileges to the products of countries other than Britain, imported into Australia. Thus from 1922 Customs Tariff (New Zealand Preference) Acts were

passed, after negotiations with the New Zealand government, and from 1925 the preference previously given to items of United Kingdom production, and some South African items, and then to some New Zealand products, was extended to some Canadian products.

The next major change came in 1932, after an Imperial Economic Conference had been held at Ottawa in July-August. The effect of agreements reached at Ottawa was, as far as Australia was concerned, the immediate increase in the tariff of October 1932, of the margin of British preference, and of the number of items in respect of which preference was accorded. The Australian government had undertaken to invite parliament to make agreed-on changes in the tariff, to give tariff protection only to those Australian industries which were likely to become firmly established under such protection, to keep customs duties down to a level which would enable British imported goods to compete with Australian, and to entrust to the Tariff Board (set up in 1921) the working out of all new or increased customs duties. In return, the United Kingdom would give increased preference to various items of Australian export to it, and give preference to other items. This agreement involved a large concession on each side. In 1913 the Australian tariff had allowed preference to 65 per cent of British imported goods, to the extent of 5 per cent *ad valorem*, in 1932-3, under the arrangements made after Ottawa, the preference was extended to cover 90 per cent of British imports, and the discrimination in favour of British goods amounted to 14·2 per cent *ad valorem*—the Customs levied on British goods to the extent of 18·8 per cent of their value, as compared with 33 per cent levied on the value of foreign goods subject to the provisions of the general tariff. The Commonwealth Statistician put at £5·736m. the concession on British imports, chiefly textiles and apparel, metals, metal manufactures, machinery, in 1934-5. In 1934 rather more than half the total value of Australian goods imported into the United Kingdom represented goods which were given preferential treatment, to the extent of £5 592m.—approximately *quid pro quo*. The main items were butter, wheat, sugar and fruit<sup>67</sup>

But with the development of Australian trade with European and Eastern countries, the day of this sort of thing had nearly passed. During the currency of the Ottawa Agreement, five years from late 1932, reciprocal trade treaties were made by the Commonwealth with Belgium and with Canada and New Zealand, and Australian Trade Commissioners were sent to these countries and China, Japan and the Netherlands East Indies—countries which since early this century had been taking a substantial proportion of Australian

<sup>67</sup> *vide* C.Y.B. No. 29 (1936), pp 236, 242

exports and which were now (especially Japan) taking more. In the last days of Ottawa, an attempt by the Commonwealth government to operate a trade diversion policy which would have discriminated, in favour of the British, against two of Australia's best foreign customers, Japan and the United States of America, evoked a Japanese imperial ordinance to refuse entry to all Australian produce except wool, wheat and flour. By 1940 the trend of Australian trade policy, following the course of the trade itself, seemed to be away from any long term arrangements to discriminate. Enough had not been gained from the British measures of preference to Australian produce, assisted by the Australian marketing system. (Early in 1940, R. G. Casey, the representative of one of the great Australian mercantile families, was appointed Commonwealth Minister at Washington, U.S.A., and other commercial diplomatic appointments to non-British countries followed.)

Export control boards, each with a London agency, were set up by the Commonwealth for dairy produce (1924), dried fruits (1924), canned fruits (1926) and fresh fruits (1927), and since that period the statute books have been punctuated at frequent intervals by legislation designed (1) to facilitate marketing of these classes of goods in Britain, or (2) to encourage the export of items in the classes mentioned, and in other classes. (Under (2), export bounties were paid on a number of classes of export goods, including items as various as traction engines, cotton, wine, gold and wheat, to a total in the five trade years from 1929-30 to 1933-4 of more than £5.7m, including £3.8m bounty on wheat exports in 1931-2.<sup>68</sup>) The operation of the export bounty system was interrupted by provisions of the Financial Emergency Act 1931 which suspended or reduced the amount of bounties, but the system was restored later. The first class of legislation, to facilitate marketing in England and to make complementary arrangements with regard to the Australian market for the goods affected achieved positive results in an increase of the Australian export of certain products, especially dairy produce and fruit, to England, as appears from the United Kingdom statistics of import trade. At the same time, the new markets in the Far East, for butter and fruits, held up during the years of economic depression without state action, but they were still comparatively small.

After 'Bawra'—the British Australian Wool Realization Association which organized the marketing of the Australian wool clip in England during the post war years—the largest Australian marketing enterprise was the 'Pateison (butter) Plan' under which, from January 1926, until May 1934, a voluntary stabilization scheme

was worked. A levy on butter production was made so as to finance the payment of a bounty of 3d.-4½d. per lb. on Australian butter exports, a Dairy Products Board being charged with the maintenance of standards of quality, the issue of export licences, and, through its London agency, the advertisement of the Australian product in England. From 1934, after legislation by the Commonwealth and the butter-producing states (New South Wales, Victoria, Queensland, Tasmania), a system of the compulsory control of sales was substituted. Under this scheme, which was extended to cover dried fruits, the Commonwealth regulated the interstate trade in the goods specified, each state passing legislation to fix the proportion of its production which should be salable in the state. The effect was to divert a substantial proportion of the Australian production to the avenues of export. But in 1934 the constitutionality of this form of regulation was challenged by F. A. James, a South Australian dried fruits merchant, who claimed that section 92 of the Commonwealth constitution, which ordained that trade between the states should be 'absolutely free,' was in conflict with this system. The High Court of Australia decided against him,<sup>69</sup> preferring to follow decisions of the court in earlier cases, and to leave the question of constitutionality to the Privy Council should it be appealed to. The High Court gave leave to appeal to the Privy Council in this case, and in 1936 the Judicial Committee held that such legislation amounted to a breach of section 92, and was invalid.<sup>70</sup> Early in 1937, the Commonwealth government took a referendum of the people, seeking amendment of the constitution to give it marketing powers, but a negative decision was made by the electorate, and thereafter a voluntary scheme had to be substituted (April 1937) for the compulsory scheme, the states of New South Wales, Victoria and Queensland adhering to voluntary schemes which covered dairy produce and dried fruits.

#### iv. *The Worker in Industry*

##### (a) *Wage Standards and Their Regulation*

Fixation of wages and hours and conditions of labour by state instrumentalities has a longer and more complex history in Australia than in any other country. Long before the Labor Relations Acts of the United States Congress, long before the erection of labour systems in the Union of Soviet Socialist Republics, the state in Australia had introduced an element of compulsion, the sanction of

69. *vide* 52 C.L.R. (1934-5), *James v Commonwealth*, pp. 570-603

70. *vide* *Appeal Cases 1936, James v Commonwealth*, pp. 578-634. The decision was reached only on 17 July 1936, after the High Court had given leave to appeal (11 June 1935).

law, into the regulation of relations between employers and employees. True, there had been voluntary boards for industrial conciliation and arbitration in England since the efforts of A. J. Mundella, M.P., had brought about the establishment of a board at Nottingham in 1860, and there had been legislative provision for 'equitable councils of conciliation' since Lord St. Leonard's Act of 1867 (30 & 31 Vic., cap. 105). And these boards in turn were drawn from the model of the French system of *conseils de prud'hommes*, which dated from a Napoleonic decree of 1806. From 1853, employers and employees, in a particular locality, could separately elect their representatives to a *conseil*, which would be created by the government of the Second Empire upon representations by a chamber of commerce or manufactures. A *bureau particulier* would exercise conciliatory functions, and a *bureau général*, arbitral functions. Again, in Australia itself there had been set up in the 1880's (*vide* Chapter VI, iii, v), by agreement between employers and employees in the shipping, goldmining, coalmining, and silver-lead mining industries, conciliation and arbitration machinery, and early in the 1890's the colonies of New South Wales and South Australia attempted to set up public industrial arbitration systems. But the principle of *state* responsibility for the fixation of wages in industry had not been practised in any country before 1896, when a New Zealand Arbitration Court established by legislation of 1894 heard its first case, and when 'special boards' were set up for certain 'sweated' industries in Victoria.

It was in New South Wales in 1901 that the first legislation was passed to establish industrial arbitration machinery of the pattern peculiar to Australasia. that is, an industrial court empowered to compel the attendance of parties and to enforce its awards, a court which was required to regard the trade union as the industrial unit. Commonwealth legislation upon similar principles was passed in 1904, and to-day, whilst the proportion of workers whose wages and working conditions are directly regulated by the Commonwealth Court of Conciliation and Arbitration is only about one-fourth of the whole number, the Commonwealth basic wage, which is adopted as a standard by the Industrial Commission of New South Wales and the Victorian wages boards, is in fact the basic wage of the majority of industrial workers. Queensland has its own Industrial Court, which declares a state basic wage, South Australia has an Industrial Court and Industrial Boards to take cognisance of disputes, and a Board of Industry to declare a state basic wage; Western Australia has a Court of Arbitration which declares a state basic wage; and Tasmania has a system of wages boards which, like the Victorian system, makes a practice of observing the Commonwealth

standard which is laid down from time to time for workers under federal awards in the various cities and districts of each of the six states.

This complex of systems, some of the components of which have passed through several phases of development, has been subjected to extraordinary vicissitudes, including restriction of powers from time to time by the High Court of Australia and the Supreme Court of New South Wales, and including manipulation by Commonwealth and New South Wales ministries, so much so, that it would be the height of absurdity to express a general opinion that industrial arbitration in Australia, or as far as the Commonwealth or the New South Wales system is concerned, has been successful or unsuccessful, a means to industrial peace or not; a protector of workers' material living standards or not, a good thing or a bad thing. There is nothing intrinsically surprising in this, for when we study the history of the part which the state has played in the regulation of labour relations, we study, in the state, an entity which is for practical purposes in this context a parliament, and above parliament a court, which make and interpret labour laws according to their lights from time to time—according, in fact, to the political, and hence to the social and economic, bias of their majorities on a given occasion. Such a judgment as this is, of course, generally acceptable as far as the parliaments are concerned, though as far as the courts are concerned, it is conventional to assume that the passage of a party politician to a judgeship involves rebirth. Yet a study of the High Court judgments of, for example, Griffith C.J., Barton J. and Latham C.J., and again of Higgins J., Isaacs J. and Evatt J., all politicians, would seem to throw doubt upon this important assumption. Consideration of the diverse histories in the arbitration jurisdiction of Piddington J., and Cantor and Street JJ., in New South Wales, and of Higgins and Isaacs JJ., and Dethridge C.J., Beeby C.J. and Drake-Brockman C.J., in the Commonwealth, might lead to a similar conclusion.

Such considerations of these are of prime importance, for here, in attempting to assess the operations and observable results of the industrial arbitration system, what we are observing is an aspect of the basic social-economic issue which is constant, namely, the question of the proportions in which the available national income shall be distributed amongst two politically and economically powerful classes, employers of labour on the one hand, and those who provide the capital of industry, and on the other hand the class of wage workers in industry.

The task of the student whose interest lies in taking note of the

phenomena of the arbitration systems as sociological data, is to consult the legal and other accounts of the systems, and then to relate what took place in this particular field to the other facts of Australian social history. And, significant among those other facts, it is to be observed that in Australia as elsewhere, courts have often struck down laws designed to aid labour, by conservative construction of the constitution, and have emasculated them by interpretation.<sup>71</sup> The authorities offer a wealth of evidence of this judicial habit as affecting the workings of the Australian industrial arbitration systems.

The first New South Wales Arbitration Court which had been authorized by an act of 1892 after the Royal Commission on Strikes, consisted of Dr Andrew Gair as president, and a representative of the organized employers and a representative of the New South Wales Labour Council all appointed by the government. This court had no power to compel attendance or enforce awards, and it ceased to exist in 1895, after having heard a small number of cases of industrial dispute. The Industrial Court, —which has had a continuous existence in New South Wales since 1902, and is now known as the Industrial Commission was authorized by the Industrial Arbitration Act of 1901 (1 Ed VII No 59), legislation which had general support in the New South Wales parliament. In its original form, the court consisted, like the 1892 court, of a president (Judge Cohen) and two assessors, one representing the employers and one the employees. George Blick writes<sup>72</sup> that in the first three years of its operation it made twenty five agreements, affecting 823 employers and 10,361 workers, and that during this period only two strikes lasting more than three days took place in New South Wales. The court differed from the New Zealand Arbitration Court, which had commenced hearings in 1896, in that it could penalize strikes and lock outs which might take place during the pendency of a hearing before it,<sup>73</sup> and that it was originally empowered to declare a common rule. (But the High Court declared it incompetent to exercise this power.) In Mr. Justice Evatt's words,<sup>74</sup>

71 Osmond K. Frienkel art. Judicial Interpretation of Labour Laws in *The University of Chicago Law Review* vol 6 no 4 June 1939 pp 577-606 at pp 478-9.

72 *Arbitration's Chequered Career* ms in Mitchell Library, Sydney p 3.

73 *vide Australian Labour Leader* by H. V. Evatt p 136. It has often been assumed that in penalising strikes and lock outs this Act was the model of subsequent Australian legislation. This is not so. Strikes and lock outs were penalised only if they took place during the pendency of the dispute or while the Court was adjudicating. As soon as the Court proceedings were finished and the award was pronounced the penalty was no longer applicable. The statutes of later years greatly extended the penalties against strikes and lock outs which came to be prohibited quite irrespective of the time and circumstances in which they occurred.

74 Article Control of Labour Relations in the Commonwealth of Australia in *The University of Chicago Law Review* vol 6 no 4 June 1939 pp 330-1.

This was the first Australian Act which efficiently provided not only for compulsory *investigation* of industrial disputes before a permanent tribunal, but also for the *enforcement* of its awards and orders. The tribunal set up was called the Court of Industrial Arbitration and consisted of a Supreme Court judge as president and two additional members—both appointed by the Government. The court's main function was to hear and settle 'industrial disputes,' and, by definition, such disputes could arise only as between employers on the one part, and an industrial union of employees or trade union on the other part.

(This recognition of the trade unions had no parallel in the New Zealand Court which Judge Backhouse, of New South Wales, had investigated before the See government introduced its bill, in New Zealand, any seven persons could obtain registration as an industrial union competent to appear in proceedings.)

During the first twelve years of the century, the New South Wales Court was the only state industrial authority in Australia to take the form of a central tribunal and function regularly. B. R. Wise, Attorney General in Lyne's ministry, had carried the 1901 bill establishing it, only after two attempts, the High Court had impeded it very seriously by denying its authority to declare a common rule, and 1908, the year in which Wise's Act terminated (30 June), opened unpromisingly—sixteen strikes took place during the first three months. The neighbour state of Victoria had had, by this, twelve years' experience of the operation of wage fixing tribunals for individual industries, and G. C. Wade, premier of New South Wales at this time, proposed to introduce this system into New South Wales, in substitution for the existing court system. This placed an emphasis on trade unions, and thus encouraged workers to join unions—whereas the Victorian wages board system took no heed of the unions and fixed wages and working conditions without regard to whether the employees in the industry were unionized or not. Evatt J. writes of Wade's proposals,<sup>75</sup>

In its original form (Wade's Industrial Disputes Bill of 1908) was regarded, and rightly so, as a blow at organized unionism. The Labor party was insistent upon retaining the principle that the workers' unit of industrial arbitration should be the trade union. But the amending bill as first introduced by Wade was designed to discourage this growth of unionism which he correctly associated with Labor's increasing political power. He proposed to establish trade boards, the function of which would be to fix minimum wage standards in the trade or industry. It was anticipated that on each board the chairman would be a barrister, and its other two members would be representatives of employers and employees, this would have meant the fixation of minimum standards without any reference to the unions concerned. But Holman and Beeby entirely revolutionized the bill by proposing amendments which Wade was practically compelled to accept.

Wade obtained his boards, and to this extent the New South Wales system now introduced was similar to the system used in Victoria,

South Australia and Queensland at the time; but the court was retained, and appeal might be made to it from the wage-fixing decision of the trade board. The compromise system was authorized by the Trades Disputes Act (No. 3 of 1908, Assented to, 24 April), and soon the multiplicity of boards established under it aggravated labour discontent springing from other circumstances. In the concluding stages of a general strike on the coalfields, late in 1909, Wade hurried through an amending act—the Coercion Act, as it came to be spoken of—which imposed severe penalties on persons instigating to strike in public utilities industries, and gave the police wide powers of search. This piece of legislation, which, unlike the Victorian Railway Strike Suppression Act 1903 (or the Queensland Coercion Act of 1894, which was directed against bush-workers), was designed to have general application, is of significance as the first statute adopted in Australia during the arbitration period, which in effect attempted state restriction of the right of association in trade unions. Subsequently, other state and Commonwealth legislation was enacted in this field, this sort of legislation, of which instances up to 1939 in the federal sphere were the Arbitration Act Amendment Act 1928 and the Transport Workers Act 1928-1929, shows the reverse side of the industrial arbitration experiment which on the face of it encouraged the development of trade unionism.

Apart from this foreshadowing, however, the first period of compulsory industrial arbitration in Australia, 1901-11, is characterized by the attempt to prevent and settle industrial disputes by the operation of a court (and wages boards) and by the adoption of the principle that state instrumentalities should determine a minimum wage. As to the elements which ought to be considered in reaching a determination of the amount of this wage, the new Commonwealth court early reached a decision.

The Commonwealth's entry into the field of labour relations seemed to augur well for the working class: the radical Henry Bourne Higgins, afterwards President of the Commonwealth Court of Conciliation and Arbitration from 1907-1920, had originally obtained the insertion into the draft Commonwealth constitution of paragraph xxv of Section 51, by which the Commonwealth might establish machinery for 'conciliation and arbitration for the prevention and settlement of industrial disputes extending beyond the limits of any one State'; the Labour Party, strongly represented in the Federal sphere from the first parliament, pressed successfully for the implementing of the powers under para. xxv, two Commonwealth ministries being turned out in the process; and Higgins himself, as a Justice of the High Court, succeeded in 1907 as

President of the Commonwealth Arbitration Court O'Connor J, the New South Wales former politician, who presided over the court for a few months after its institution in 1906 and who in July 1907 made an award very favourable to the Australian Workers Union covering the rates of payment of shearers. The Commonwealth arbitration system came into operation against the bitter opposition of the organized employers, whose president said in 1905 that the new act was

purely class legislation, for the purpose of strengthening the labour unions. It is an experiment to increase the wages of the workers, and to give them better conditions of employment, in defiance of economic laws.<sup>6</sup>

Considering this opposition, it may be noted in passing that one aspect of the history of industrial arbitration at every stage in Australia has been attempts to control the arbitration machinery in the interests of specific classes, and inasmuch as during the period when Labour was a power in Commonwealth politics, 1901-1916, the High Court majority consistently restricted or impeded the working of the arbitration machinery, and thereafter there was not until 1943 a Labour government commanding a majority of both Federal chambers, between the wars the arbitration system was usually directed, or hindered, in interests other than those of wage earners.

The stated objects of the Commonwealth Conciliation and Arbitration Act 1904 were (1) to prevent strikes and lock outs by facilitating the organization of employers and employees and encouraging their organizations to submit their disputes to the court, and by creating a court of competent jurisdiction to prevent or settle industrial disputes, and (2) to enable states to refer industrial disputes to the court and to permit the working of the court and the state industrial authorities in the aid of each other. The court was empowered to refer disputes to conciliation committees (thus reversing the order of procedure which New Zealand had adopted). The awards of the court were made binding on the parties and on all individuals and organizations summoned by the court, and the court was empowered to prescribe a minimum rate of wages. Under Higgins J as President, the Commonwealth Arbitration Court early proceeded to two important steps (1) it declared a minimum rate

<sup>6</sup> E. E. Smith, president of the Australian Employers Federation in *Report of the 1905 Conference of the Federation* p. 8. cf. *Petition of the Central Council of Employers of Australia* (1904) contending that the Act was *ultra vires*. At the 1907 Employers Federation Conference John Darling of the B.I.P. Co. moved and it was resolved (Report pp. 19-24) that the Conference urge upon all employers and others of the Commonwealth of Australia the necessity for the maintenance of freedom of contract. W. H. Phillips, South Australia said (*ibid.* p. 17) that the Arbitration Act 'framed on the pernicious lines of the New South Wales Act' was an instrument for the oppression of employers and many employees 'a promoter of industrial strife, a great check to progress, and a violation of the very foundations of the principle of British freedom.'

of wages, and (2) it sought to implement the 'New Protection' legislation by which employers who paid reasonable wages might obtain rebate of excise duties. Taking the second activity first, the Customs Tariff Act and the Excise Tariff Act of 1906 (Nos. 14 and 16 of 1906) were only two of a number of measures, passed during the term of the second Deakin ministry, 1905-8, and including Bounties Acts and Manufactures Encouragement Acts, each of which in effect made public encouragement of certain industries contingent upon protection of their employees by employers in those industries. The Customs Tariff Act 1906 introduced the New Protection, declaring rates of duty on foreign-made agricultural implements, in conjunction with the Excise Tariff Act 1906, which levied excise duties on agricultural implements of Australian manufacture except the implements were produced under

conditions as to the remuneration of labour which (a) were declared by resolution of both Houses to be fair and reasonable, (b) were in accordance with an industrial award under the Commonwealth Conciliation and Arbitration Act, Section 4, etc.

One method of obtaining exemption from payment of excise duty was to obtain from the President of the Arbitration Court a declaration that the wages paid by the applicant employer were fair and reasonable.

In 1907 the firm of H. V. McKay & Co., manufacturers of 'Sunshine' harvesters, applied accordingly to Higgins J. sitting in the Arbitration jurisdiction. He refused the application,<sup>77</sup> whereupon McKay refused to pay the excise duty due, and the Commonwealth sued him in the High Court for the amount. The majority of the High Court (Griffith C.J. and O'Connor and Barton JJ., Isaacs and Higgins JJ. dissenting) declared the Excise Tariff Act invalid on various grounds.<sup>78</sup> This judgment disposed of the New Protection. However, in the course of hearing McKay's application, Higgins J., in the Arbitration Court, laid down in what has become known as the Harvester judgment, the principle of a basic wage, with margins for skill, which guided the Arbitration Court for the next quarter of a century. Higgins J. said in this case that he had selected McKay's application for hearing, out of 112 applications of the kind by Victorian manufacturers, because the McKay factory was the largest of all, with the most, and most classes of, employees. He found that McKay paid 6s. per day of eight hours, with no pay for overtime, compared with 7s. or more paid by public authorities for unskilled labour, and 7s. 6d. a day by recent agreement

<sup>77</sup> *Ex Parte H V McKay, Excise Tariff 1906 (No 16 of 1906)*—Application for declaration that wages are fair and reasonable, etc., 2 C.A.R., pp 1 et seq.

<sup>78</sup> *vide Commonwealth v. McKay*, 1908, 6 C.L.R., pp 41-43.

between the Adelaide implement makers and their employees. He declared that the McKay wage was not fair and reasonable<sup>79</sup> and that a fair and reasonable daily wage for unskilled labour was 7s,<sup>80</sup> he further prescribed, at amounts up to 10s a day 'fair and reasonable' wages for ironworkers of varying degrees of skill. The determination purported to rest on a calculation, from the household budgets of nine households of McKay workers, of the cost of the normal needs of the average employee, regarded as a human being living in a civilized community, but it is fair to assume that the other evidence which the President heard, relating to rates of wages actually paid by public bodies and others, influenced his judgment, and that this first declaration of a basic wage<sup>81</sup> was really an interpretation, on the generous side, of the actually existing standard.

The history of arbitration in the years immediately after the Harvester judgment is a history of the difficulties which the Commonwealth Court of Conciliation and Arbitration experienced in its attempts to make paragraph xxv of Section 51 a reality. But these difficulties, which were chiefly a matter of interference on legal grounds with the process of the court, did not include any attempt to interfere with the principle of the living wage, of which Higgins J. said,<sup>82</sup>

Unless great multitudes of people are to be irretrievably injured in themselves and their families, unless society is to be perpetually in industrial unrest it is necessary to keep this living wage as a thing sacrosanct, beyond the reach of bargaining.

While in the Commonwealth sphere Higgins's court was being encouraged by legislation<sup>83</sup> brought down by Fisher's Labour ministry, and discouraged by High Court judgments, in the states except Victoria and Tasmania a first phase of industrial arbitration development was coming to an end. Between 1908, when a wages board system had been added to the court system in New South Wales, and Queensland had adopted wages boards, and 1912, every state except Western Australia, where a court system now functioned after an unsuccessful start in 1901, used the wages board system. Then in 1912 important arbitration legislation was enacted in New

<sup>79</sup> *Ex Parte McKay* p. 18 *vide* Higgins J. subsequently on his Harvester judgment in his *A New Province for Law and Order* pp. 4-5.

<sup>80</sup> *Ex Parte McKay* p. 19.

<sup>81</sup> Minimum wage or living wage were the terms more usually employed in the earlier days of arbitration. In the Report of the Conference of Commonwealth and State Ministers 1927 on Child Endowment etc. (Commonwealth *Parliamentary Accounts and Papers* 1927) it is stated (at p. 43) that the term basic wage came into general use only after the 1920 Commonwealth Royal Commission on the Basic Wage.

<sup>82</sup> *A New Province for Law and Order* pp. 143-4.

<sup>83</sup> The amending acts no. 28 of 1903, no. 7 of 1910 (empowering the Court to give preference to unionists) and no. 11 of 1911 (giving Commonwealth public servants the right of access to the Court).

South Wales, Queensland, South Australia and Western Australia. In New South Wales the first Labour government (of J. S. T. McGowen) introduced and carried an Industrial Arbitration Act which reduced the number of wages boards from 270 to 27 and modified the severity of the penalties for striking, and the other three states mentioned adopted industrial arbitration acts, Queensland for the first time. The Queensland legislation followed the 1908-9 New South Wales legislation in important particulars, setting up an Industrial Court which could hear appeals from the decisions of industrial boards, and prohibiting strikes in public utilities—but with the novel provision, in Section 35 (1), that notice of a strike should be given, and only after a secret ballot of workers in the industry concerned had returned a majority in favour of striking.<sup>84</sup> In Queensland the new court system was not based, as were the New South Wales and Commonwealth systems, on the trade union, any twenty employees of a single calling might bring a dispute before the Queensland court. This Queensland Industrial Peace Act (3 Geo. V, No. 19, Assented to, 7 December 1912), which was passed late in the year in which there had been a general strike of Brisbane unionists, is of particular interest. It marked a sort of climax of the period during which conservative politics tried to control trade unionism in Queensland. In 1891 and 1894, soon after the Queensland unions had placed themselves under a central directorate—the Australian Labour Federation—the government had used stern measures against the unionists, including the Coercion Act of 1894, nearly twenty years later, after a general strike of workers again directed from a centre, the curious devices of the Industrial Peace Act were prepared. They proved impracticable, and in 1915 the political balance shifted in the state, and Labour entered upon a course of government which was interrupted only once, by the return of a non-Labour majority in 1929, during the next third of a century.

The development of trade unions and trade unionism will be noticed more particularly in the next section, but it may be remarked at the present stage that for several years immediately before and after the outbreak of European war, in which Australia became involved, in 1914, Labour ministries held office in the Commonwealth and most of the states, obtaining the passage of a good deal of legislation; and that the number of trade unionists advanced steadily up to the middle war years, when it exceeded half a million—nearly half the total number of wage and salary earners in the country.

<sup>84</sup> *cf.* similar provision in Beeby's N.S.W. amending act of 1918, a provision afterwards incorporated also in the Commonwealth act.

But the war-period dislocated arbitration, before the outbreak, while prices had been steady, workers, like most other people, still thought of wages in money terms exclusively, and insofar as the 'Harvester' standard of living for the worker was reasonable in 1907, it was fairly reasonable in any year before the war. But when the great price rise of the war years took place, and there was no effective machinery for the speedy adjustment of wages to a rising cost of living, the purchasing power of wages fell steeply, the worker's material standard of living fell. Accepting the official figures<sup>85</sup> which show that the average cost of living in Australia in 1916 was 50·7 per cent above the average in 1901, while wages had increased by only 39·6 per cent, it is clear that the very conservative Victorian Chief Inspector of Factories was right in his conclusion<sup>86</sup> at that time that 'the workers are worse off now than when they began to agitate for laws to regulate wages'. Higgins J said in 1916, 'Employers and employers' representatives have since [1907] often assured me that the figure of 7s a day was not a penny too much,'<sup>87</sup> and Powers J drew attention to what no longer obtained when he said that the living wage 'should be based on the ordinary regimen of a working man and his family'.<sup>88</sup> For, apart from any 'duty' which may have devolved on the working man to accept a reduced standard of living during the war,<sup>89</sup> the fact began to be felt uncomfortably, that the arbitration systems did not provide for a periodic determination of what the real wage standard was or ought to be. In 1912 the Builders' Labourers' Union had raised before Higgins the question of whether the Commonwealth Statistician's retail price indices, which had recently been instituted, might not be used as a means of measuring the rise of the cost of living,<sup>90</sup> and in the Gas Employees' Case next year the Commonwealth court made an award on the Harvester basis, taking into account the change in the cost of living since 1907, by fixing the basic wage according to the average of retail prices during the year ended 31 December 1912, this 'A' series, covering food and

<sup>85</sup> In Labour Report No 6 1916

<sup>86</sup> *Wages and Prices in Australia Our Labour Laws and their Effects etc and Report of the Chief Inspector of Factories Melbourne on anti strike legislation in operation throughout the Australasian States etc* by H M Murphy printed together Melbourne George Robertson 1917 p 12

<sup>87</sup> *Meat Industry Case* 10 C A R at p 479

<sup>88</sup> *Storemen and Packers Case* 10 C A R at p 644 cf the similar hope expressed by Higgins J in 1917 in the *Glass Manufacturers Case* 11 C A R at p 34

<sup>89</sup> cf Powers J Commonwealth Arbitration Court Melbourne 22 March 1916 approved by Higgins J C A Court Sydney 4 May 1916 and cf Labour Report No 6 I recognize that people cannot live in these days in reasonable comfort on the living wage prescribed if they attempt to maintain the same regimen as in the days before the war and the drought If butter goes up to a high price other things are used in its place etc

<sup>90</sup> vide *Quarterly Adjustments of Wages and Wages Reductions in accordance with movements of retail prices* statement by P. J. Clardy to conference of representatives called to consider the system by the Melbourne Trades Hall Council 24 November 1932

groceries, and the rent of all houses, was referred to for the adjustment of money wages to the Harvester standard, for twenty years until May 1933, when a 'D' series was substituted

Various matters which arise in connection with the basic wage and its adjustment to the changing cost of living are (1) the family unit which should be adopted, (2) the method and periodicity of adjustment, (3) the endowment of children, members of the family of a worker under an award. As to the family unit, it appears that in his Harvester judgment Higgins J had in mind a man, his wife, and about three children. In the New South Wales Industrial Court, Heydon J, making the first declaration of a state living wage on 16 February 1914, accepted the Harvester standard but declared a wage (£2 8s) held to be sufficient to meet the needs of a man, his wife, and two children. Later declarations of the South Australian and Queensland authorities took account of a man, his wife, and three children, and for the purposes of the Western Australian court the family unit has been a man, his wife, and two children. But excepting in connection with the endowment of children, by amounts over and above the basic wage, it does not appear to have been of practical importance, even to the original determination by Higgins J, which family unit the arbitration authority chose.<sup>91</sup>

For the adjustment of wages since the Gas Employees' Case of 1913 the Commonwealth Statistician's retail price index, in one form or another,<sup>92</sup> has been accepted as the basis on which all variations of award should be made, but three 'formal deviations'<sup>93</sup> from it have been made, i.e., the 'Powers 3s' of 1921, designed to compensate the worker for the lag of (the adjustment of) his wages behind prices at a time of rising prices, secondly, the 10 per cent reduction of the basic wage in 1931, and thirdly, a change of basis in 1937.<sup>94</sup> As to the periodicity of adjustment of wages to variations of the cost of living, from 1918, Powers J at each declaration used the average cost of living for the twelve months preceding the declaration and from 1919 many unions by agreement with their employers adopted a system of half yearly adjustment of wages based upon the average of prices for the preceding twelve

91 *vide* the discussion in George Anderson's *Industrial Tribunals and Standards of Living* pp. 65-112 of *Australian Standards of Living* by various authors (M.U.P. 1939) at pp. 71-2. Anderson's account here is the best short description of the various arbitration systems in operation in Australia in 1939.

92 The various indices are described in Labour Report No. 24, 1933, pp. 16 *et seq.* *et vide* the discussions in P. J. Clarey's *Quarterly Adjustments of Wages etc.* *cit. supra* and *Wages and Prices*, a short examination of the accuracy of the retail price index-number used in the adjustment of wages by L. F. Giblin, Acting Commonwealth Statistician, 2nd ed. (December 1931).

93 Giblin *loc. cit.* p. 7.

94 *vide* 37 C.A.R. at p. 692 for the new basic wage of two elements—a needs basic wage (adjustable) and a loading (constant).

months.<sup>95</sup> This auxiliary system was superseded by the Commonwealth court itself when in 1922 Powers J., in the *Gas Employees' Case*, made an award with provision for its adjustment on a basis of the Commonwealth Statistician's figures of the average of retail prices for each quarter of the year. Thus, it was fifteen years after the original declaration by Higgins J., that a regular basis on which wages could be adjusted at frequent intervals to the cost of living, was adopted. (The terms of reference of the 1920 Royal Commission on the Basic Wage had included—'How the basic wage may be automatically adjusted to the rise and fall from time to time of the purchasing power of the sovereign.'<sup>96</sup>) In New South Wales the Court of Industrial Arbitration made the declaration of the state living wage until 1916, and the Board of Trade set up by Act of 1918 made an annual declaration in 1918-25, after which an Industrial Commission set up by further amending legislation made the declaration.

Before passing to consideration of child endowment within the basic wage system, we should note with regard to the fundamental question of the *adequacy* of the basic wage, that 'only one comprehensive attempt has been made by the Federal authorities to ascertain specifically what the actual requirements were in the various states according to reasonable standards of comfort,' and that this attempt, by the Basic Wage Commission of 1920, did not have a practical result 'owing to the marked advance of the amounts suggested over ruling rates and the grave doubts expressed as to the ability of industry to pay such rates.'<sup>97</sup>

Provision for the endowment of workers' children by family allowances paid in connection with the basic wage was first attempted in New South Wales in 1919, when a measure was introduced to provide a basic wage for a man and wife, and an allowance of 5s. a week for each child, this allowance to be reduced on a sliding scale and to cease when the income reached an amount of £3 a week in excess of the basic wage. The bill was thrown out,<sup>98</sup> and though a 1921 Family Allowance Bill passed the Assembly, it was rejected by the Council, and no further action was attempted in New South Wales in this field until after the New Zealand Parliament had adopted (1926) an act providing for family endow-

<sup>95</sup> *vide* Clarey, *loc. cit.*, p. 2

<sup>96</sup> Report of the Royal Commission on the Basic Wage, p. 7, Commonwealth *Parliamentary Papers*, General, Session 1920-21, vol. IV

<sup>97</sup> Labour Report, No. 19, 1928, p. 92.

<sup>98</sup> *vide* H. V. Evatt's *Australian Labour Leader*, pp. 478-9, for the story of this measure, W. A. Holman's Child Maintenance Bill, which he introduced with the object of relieving employers of more than half the estimated added burden of £14m. wages, which the 1919 declaration of the NSW living wage (£3 17s. 6d. *cf.* £3 previously) would entail. A living wage would be declared for the requirements of a man and wife only (instead of man, wife and two children), and endowment paid for actual children.

ment. The New Zealand act provided for the payment of 2s. a week for each child under fifteen years, in excess of two children in a family whose total weekly income, without the family allowance, was not more than £4. Such was the first example of child endowment by law. The system came into operation, and at an early stage was costing the consolidated revenue about £50,000 a year, in 1937-8, not quite double that amount. In New South Wales, a measure introduced by J. T. Lang's ministry in 1926 was passed in March 1927, it provided for the payment of 5s. a week in respect of each child in excess of two in a family, the cost to be met from a 3 per cent tax on employers' wages bills, to be paid by the employer. Full endowment was payable only when the family income did not exceed the basic wage (then £4. 5s. in New South Wales), and the 3 per cent levy was discontinued after three months in which £1.25m. was raised in this way—sufficient, it turned out, to meet a full year's cost of child endowment. From 1930 the New South Wales living wage was based on the requirements of a man, his wife and *one* child (instead of two, as in 1914-29) under fourteen years, and one child in each family was excluded from the benefit of endowment. The tax on employers was abolished at the beginning of 1934, after which endowment was paid from consolidated revenue. At a peak, in 1932-3, child endowment in New South Wales cost £2 lm. to meet nearly 70,000 claims (ten times the number of New Zealand claims and more than twenty times the amount), and in 1936-7 about £1.7m. was paid in respect of 53,000 families.

In June 1927, or a little earlier than the coming into operation of the New South Wales scheme, the Commonwealth government of S. M. Bruce called a Premiers' Conference at Melbourne to consider child endowment and other matters, after a promise which the Prime Minister had made in his policy speech at the 1925 general election. In addressing the Premiers' Conference, the Prime Minister made some comments which may with advantage be recalled when the significance of the history of the manipulation of the basic wage in 1931-7 comes to be considered. He said,<sup>99</sup>

The fundamental principle of the living wage system is that industry, while in the aggregate it pays in wages a sum equivalent to the value of the economic services rendered by the wage earners, should pay to each individual wage earner a sum measured, in the first instance, by his needs. Since the Harvester judgment the following rules have been generally applied in attempting to give effect to this principle: (1) Wages must amount to remuneration sufficient to support the wage earner in reasonable comfort. (2) They must be such as to enable a man to marry and bring up children

<sup>99</sup> Commonwealth *Parliamentary Accounts and Papers* 1927, Report of the Premiers' Conference, June-July 1927, pp. 34-5. Apart from the Prime Minister and the Premier of South Australia, the Ministers all represented Labour Governments.

in decent, wholesome conditions. (3) The minimum wage must be adjusted automatically with the cost of living.

Of these, No 2 has not really operated, because of the fact that the domestic unit upon which wages are based is arbitrarily fixed, and is inelastic, while the number of children of the wage earner varies . . . Mr. Piddington . . . (in the 1920 Basic Wage Commission) . . . went so far as to say that it must be apparent that, under awards of the Commonwealth Court, all families of more than three children must receive less than the living wage . . .

The decision of the Premiers' Conference was that a Royal Commission should be appointed with broad terms of reference; the commission was appointed, and resulted in a report.<sup>1</sup> Insofar as the object of the Commonwealth royal commission was to nip the Labour-instituted New South Wales scheme in the bud, it was entirely unsuccessful, for the scheme assisted in 1933-4, for example, nearly 72,000 low-wage families to the extent, on the average, of 15s. a week at a time when the Commonwealth Statistician's index number represented the average real wage in New South Wales, 1,138, as not much below the Australian average, 1,178.

The Commonwealth, then, had so far set up a royal commission to state an adequate minimum wage, and ignored its conclusions except to adapt some of them given in a supplementary report, so as to institute a child endowment scheme, for which the employees paid, in the public service, and it had set up a royal commission to investigate the practicability of general child endowment, and had followed the advice of its majority, which was to do nothing. Prior to the child endowment investigation, and subsequent to the basic wage investigation, the (Bruce) government had appointed another Royal Commission, in this case to investigate unemploy-

1. The majority held (Report pp 9-10) that 'the scheme contemplated in the terms of reference is one in which the necessary funds would be provided from public revenue or from industry, or from both sources. The assumption seems to be that this provision of funds should be wholly an addition to the sums now paid as wages. In our opinion such a scheme should not be adopted. Some of the reasons given were (1) that it had not been established that child endowment in this form was necessary because wages were insufficient, (2) that a scheme to finance endowment from taxation would have disastrous results, (3) that disastrous results would attend an attempt to make 'industry' pay the costs of a scheme, (4) that the basic wage already contained elements more than sufficient to provide for all dependent children if the basic wage were reduced by the amount of those elements, (5) 'By removing from parents all financial responsibility for their children parental responsibility would be weakened, incentive to effort reduced, and the sense of unity between parents lessened,' and so on.

The minority report lodged by Mrs. Muscio and John Curtin took vigorous exception to the view of the majority that any scheme of child endowment must wait upon alterations of the Commonwealth Constitution to give the Commonwealth exclusive power of wage fixation etc., and upon the elimination from the basic wage 'of the provision for children which is now an integral part of that wage.'

Nearly fourteen years later the Commonwealth government of R. G. Menzies at length adopted a system of 5s. a week endowment from revenue of each child after the first in a family. This federal system, which in New South Wales superseded the state system was liberalized under subsequent Labour governments in respect of the amount of endowment payable and the age at which a child ceased to qualify. Its institution followed conferences between the Treasurer A. W. Fadden, and ACTU officials after the February 1941 judgment of the Arbitration Court rejecting the ACTU claim for an increase of the basic wage. The additions to child endowment benefits under Labour were followed in 1946-7 by Arbitration Court judgments increasing the basic wage and reducing standard weekly working hours from 44 to 40.

ment and consider the practicability of a national system of unemployment insurance. The researches of this commission came to nothing.<sup>2</sup> However, throughout the period in 1926-7 when this body was reporting, there was in operation in Queensland a state scheme of unemployment insurance instituted by the Labour government there in 1923, and which included within its scope all adult workers subject to awards of the state industrial authority, 150,000 in number in 1927. Non-Labour governments of the Commonwealth balked at attempting what had been achieved by Labour governments in two states, in elaborating and extending the public responsibility for regulating the incomes of the low-wage groups.

So far, then, we have taken note of a first period of state and Commonwealth arbitration systems, up to 1912, during which the experiment of fixing a minimum wage was made, and a second period, of about twenty years, during which the Commonwealth system improved its machinery of wage fixation and adjustment to some extent but did not raise the base of the wage,<sup>3</sup> and during which two of the 'Labour states,' namely, New South Wales and Queensland, attempted with much apparent success to use their wage-fixation machinery in ways to improve the material standard of living of the lowest-paid class of worker. A third period may be distinguished as from 1931, when the Commonwealth court discarded the Higgins conception of the basic wage as 'a thing sacrosanct', during this period the traditional Harvester-equivalent real wage was jettisoned (1933-7) and, under a non-Labour government, even New South Wales followed (from October 1937) the Commonwealth basic wage declarations. This period was introduced by a remarkable succession of statutes of the Commonwealth, and judgments of a reconstituted Commonwealth court, which threatened the whole basis of the Australian arbitration system. Indeed, the Bruce government which had appointed royal commissions with such freedom, in 1929 was prepared<sup>4</sup> to scrap the whole

2. *vide* Commonwealth *Parliamentary Papers*, General, Session 1926-8, vol. iv, pp. 1411-1486 for the Second Progress Report of the Royal Commission on National Insurance, 11 March 1927 (three other progress reports were published)

3. It is, however, important to take into account that there may have been a shift of emphasis from lowest-paid (basic wage) occupations to higher paid (basic wage plus margin or secondary wage), after the Harvester declaration in 1907, though even if the shift could be measured with precision, and its effect in raising the *average* real wage shown, it would remain to be shown whether the arbitration system had much to do with a phenomenon that is characteristic of industrial societies which have benefited by technological advances.

4. The Bruce Government's decision to scrap the Commonwealth system followed the report of a British economic mission which visited Australia, at the request of the Government, in 1928, and which gave the opinion, *inter alia* (*vide* Commonwealth *Parliamentary Debates*, vol. 120 pp. 95-6), 'A change in the method prevalent in Australia of dealing with industrial disputes appears to us to be essential.' The basic wage system was 'open to the gravest criticism as tending to deprive employees of any interest in the prosperity of the industry with which they are connected.' But at this time, as the Prime Minister's answer to a question on 11 March 1929 suggests at any rate (*vide ibid.*, p. 958), the Government did 'not propose to take any action for the abolition of the (Commonwealth) Court.' It was subsequently to these debates of early 1929 that he approached the States with the suggestion that they forgo their arbitration powers

Commonwealth arbitration system for the improvement of which the commissions had sought means.

The first of the Bruce government amendments to the Commonwealth Conciliation and Arbitration Act, involving radical change (though not in a radical direction), was made in 1926. An effect of this act was to dispose of the system by which a president, with the assistance of deputy presidents, had conducted the Commonwealth Court. Mr. Justice Higgins had retired in 1920, and the High Court had held four years later that the Arbitration Court was not qualified to exercise judicial power, because under the constitution judicial power was vested in federal judges who should be appointed for life.<sup>5</sup> The limitation was a serious hindrance, inasmuch as it made the judges of the Arbitration Court powerless to impose penalties for breach of award, and so on. The 1926 act, under which judges in the arbitration jurisdiction were appointed for life and were thus federal judges within the meaning of the relevant sections of Chapter III of the Commonwealth constitution, remedied this situation. The persons appointed were Dethridge C.J. and Drake-Brockman and Beeby JJ, Drake-Brockman J. was a military officer of high rank and had been a Nationalist Party Senator, and Beeby J. had begun political life as a Labour M.L.A. in New South Wales, had become a Labour minister, deserted the Labour Party in 1912, and had various political affiliations thereafter. Later, Lukin J. was appointed to the court, he was in retirement from the Queensland Bench. Then in 1928 the Bruce government carried an amending act which elaborated certain penal provisions against trade unions which had been inserted by the Hughes amending Act No. 31 of 1920.

It will be recalled that mention was made of penal and restrictive provisions introduced into the state arbitration systems of New South Wales and Queensland by non-Labour governments there in 1908, 1909 and 1918, and 1912 respectively. The Hughes-Bruce legislation displayed a similar bent. Thus, Section 3 of No. 31 of 1920 empowered a penalty of £1,000 on unions whose executive officers called upon their members 'to refuse to offer for, or accept employment'—a kind of provision to which Evatt J. has made disapproving reference.<sup>6</sup> But Section 8 of No. 18 of 1928, the

5. *vide Waterside Workers' Federation v J W Alexander*, 1918, 25 C.L.R., 431 and Anderson's *Fixation of Wages in Australia*, pp. 32-3. *vide* Section 72 (ii) and Section 79 Commonwealth Constitution, with respect to federal judges.

6. *vide* 'Control of Labour Relations' *ant cit.*, p. 532. 'Indeed, in some awards made under the sanction of the Commonwealth statute, penalties were provided in case any combinations of employees *refuse* work although no engagements to accept work had yet been made, and although the refusal was not unreasonable in the circumstances. Provisions such as these though rarely inserted amounted to enforcing something like a servile status and on that account were strongly condemned by Mr Justice Higgins of the Federal Court of Arbitration' *vide* also the judgment of Evatt J. on cognate provisions in regulations under the Transport Workers Act 1928-1929, in *Elliott v Commonwealth*, 53 C.L.R., at p. 696, etc. But Anderson wrote in 1929 of the 1928 amending act (*Fixation of Wages* pp. 33-4), 'The bill was founded on principles of responsibility, justice and fairness

Bruce-Latham amending act, went further, it provided that if, after a strike, a union removed the executive which had ordered the strike, and expelled the officers from the union, the maximum fine payable for the original strike-offence might be reduced from £1,000 to £100. But if, within twelve months of such an event, the union readmitted any expelled officer even to rank and file membership, it would be liable to the full penalty of £1,000. The Scullin Labour government obtained the repeal of these extraordinary provisions, destructive of a long-established right of free association and tending to reduce labour to a servile condition, by Section 6 of a further amending Act No. 43 of 1930. Further legislation of a repressive tendency was enacted late in 1928 and early in 1929, after Beeby J. had declared an award for waterside workers which introduced a system<sup>7</sup> patently to the disadvantage of labour and subjecting men not yet engaged for employment, to burdens for the convenience of possible employers of their labour. The Waterside Workers' Federation of Australia ordered its members at many ports to refuse to offer for employment, with the sequel that the Attorney-General (J. G. Latham) issued summonses against the union under the Arbitration Act 1904-1928 (the union was fined £1,000 in a police court), and with the further sequel that a measure of coercion, the Transport Workers Act, was rushed through the Commonwealth parliament in a few hours. Regulations under this act which were embodied in the act itself a few months later, established a licensing system which was condemned by Evatt J. in a dissenting High Court judgment in *Elliott v. Commonwealth* in 1936, which was vigorously denounced<sup>8</sup> at the time by W. M. Hughes, formerly prime minister and still a member of the Government party, and the suspension of which was recommended by a non-Labour minister appointed to enquire into it in 1939, more than ten years after the original imposition of the licensing system. Such were some sequels of a situation created by the terms of an award of the recently-appointed Judge Beeby. Judge Lukin, a still more recent appointee of the Bruce government, made a timber-workers' award,<sup>9</sup> soon after the strike against the waterside workers' award of Judge Beeby, which precipitated another serious strike. This award suggests the contrast between the Higgins era of the Commonwealth system, when the court was proclaimed to be 'an instrument for raising the downtrodden and for improving the stamina and character of the coming generation,'<sup>10</sup> and when the immediate obstacle to progress in this regard was usually the High Court, and the era from about 1926, when the Commonwealth

7. For the award *vide* 26 C.A.R., 867.

8. *vide* Commonwealth *Parliamentary Debates*, vol. 120, pp. 326 *et seq*.

9. For the award *vide* 27 C.A.R., 577.

10. *A New Province for Law and Order*, p. 5.

government and the Arbitration Court itself, however desirous of raising the downtrodden, found themselves inhibited from action in this respect, by 'economic laws.'

The timberworkers had in 1920 been the subject of an award<sup>11</sup> by Higgins J. by which their working week was reduced from 48 hours to 44. The Hughes government was in power at the time, and it proceeded to amend the Arbitration Act so that the standard working hours (which had been 48 from the commencement of the court) should not be varied except by the Full Court of the Arbitration Court. In September 1922, the Full Court placed most timberworkers on the 48-hour basis, but permitted some to retain the 44-hour basis, and in 1928 the Full Court declared a working week of 48 hours for all employees in the industry.<sup>12</sup> This provision was embodied in an award which Lukin J. made for timberworkers early in 1929. The Lukin award also made reductions up to 10s. a week in the timberworkers' basic wage (at a time when the Commonwealth Statistician had just announced an *increase* in the cost of living), and heavy reductions of margins for skill, and of youths' wages. The award also doubled the permissible ratio of youths to men in employment in the industry (from 1:8 to 1:4), a provision foreshadowing the displacement of more than 2,000 men, in an industry in which 20,000 were employed, by youths, almost of adult age, whose wages had just been reduced by the Lukin award to a very large extent. The timberworkers struck against the award, and the usual measures were taken against them. The Timberworkers' Union was fined £1,000, and on this occasion the 1928 Arbitration Act provision for a secret ballot of union members on the question of striking—a provision borrowed from Queensland and other legislation of sixteen years before—was brought into effect (But only 6,000 men voted, 5,300 of them for the strike.)<sup>13</sup>

Such proceedings as these, on the part of non-Labour governments of the Commonwealth and the personnel of the court by them appointed, seem to make a clear pattern. The arbitration court system was to be used, with supplementary legislation such as Arbitration Act amendments, the Transport Workers Act, and the trade union and strike provisions in the Commonwealth Crimes Act, for a particular purpose. An era of the conscious manipulation of the federal arbitration system, preparatory steps towards which were taken in 1920-6 while the court was actually improving the machinery of wage-fixation, was by 1928-9 obviously here. An interlude of Labour government, without a Senate majority, followed,

<sup>11</sup> 12 C.A.R., 181.

<sup>12</sup> 27 C.A.R., 396

<sup>13</sup> cf accounts in *Round Table*, September 1929, pp. 853 *et seq.*, and in *The 1929 Lock-out in the Timber Industry*, by E. R. Voigt and J. S. Garden; Sydney, 1930.

from late 1929 until early 1932. This government obtained repeal of some anti-union provisions of the Arbitration Act, as already mentioned, but the newly-fashioned arbitration machine, with the judges its drivers appointed for life, was now functioning smoothly. It proceeded to further action against the system which Liberal-Labour collaboration had laid down in 1904 and the years immediately succeeding. Late in 1930 the Victorian and New South Wales Railways Commissioners made application to Drake-Brockman J. for a variation of their current awards. He referred their applications to the Full Court, which held a Basic Wage Enquiry at Melbourne from 6 October 1930, until judgment was given on 22 January 1931. The upshot of these sittings was that the Full Court, consisting of Dethridge C.J. and Drake-Brockman and Beeby JJ. (Lukin J. had been transferred to a Federal bankruptcy jurisdiction after his arbitration work in 1929), announced that 'having regard to the economic position, consequent upon the fall in the national income and other causes, the Court ordered the reduction of prescribed wages by 10 per centum.'<sup>14</sup> This involved the repudiation of the 1907 principle that the basic wage, as a bare sufficiency, should not be decreased, and of the practice of the court for twenty years past, by which the Harvester standard of 1907 was maintained by periodical adjustments of money wages to meet the Harvester standard of living. Two years before, the author of a standard work on legal aspects of arbitration had commented that the system of adjustments to the Harvester basis had the disadvantage that it made 'increases in real wages difficult.'<sup>15</sup> It now appeared, however, that the system placed no difficulty in the way of a *decrease* of real wages, workers under Federal awards, and workers in Victoria and Tasmania whose basic wage was in practice tethered to the Federal wage, were now on a wage 10 per cent below what had been accepted as the Harvester standard.

In June 1932, and May 1933, the trade unions failed in applications to the court for the restoration of the Harvester standard, and in his judgment of 5 May of the latter year Beeby J. expressed his opinion that the Harvester standard should be abandoned,<sup>16</sup> but the majority of the court decided to retain the standard but substitute a 'D' version of the 'All-Items' series for the 'A' ('All-Houses') series of index numbers of retail prices, according to variations of which the basic wage should be adjusted from time to time. Then in January-February 1934, the trade unions made fresh application

<sup>14</sup> 30 C.A.R., at p 2

<sup>15</sup> *Fixation of Wages in Australia*, by George Anderson, p. 181.

<sup>16</sup> *vide* 32 C.A.R., at p 106; 33 C.A.R., at p. 163.

for rescission of the 10 per cent reduction of 1931, C. Crofts, P. J. Clarey and C. E. Mundy appearing in the unionists' behalf. The Full Court gave judgment<sup>17</sup> on 17 April 1934, raising wages to some extent,<sup>18</sup> abolishing the 'Powers 3s.,' and adopting the 'C' 'All-Items' series for the purpose of future adjustments.<sup>19</sup> Before the Full Court judgment was given in 1934, the basic wage (average for the six capitals) had stood at £3. 3s. 9d. (under 'D' series adopted in May 1933, less the 10 per cent cut made in 1931), and after the judgment the figure was £3. 5s. Then in 1935-6 Beeby J. heard an application<sup>20</sup> against the H. V. McKay firm and others for a variation of award, and declared a basic wage in this industry of £3. 6s. for Melbourne (*cf.* £3. 4s. under the 1934 award), and in 1937 the Full Court, hearing an application<sup>21</sup> against the same parties, and a number of similar applications by the unions for the restoration of the 10 per cent cut, declared a basic wage on a completely new principle. The Harvester basis was not returned to, nor was the basic wage any longer the simple item of yesteryear. Henceforth, to take the declaration of a Melbourne basic wage as an example, there should be a 'needs basic wage (adjustable)'<sup>22</sup>—the Beeby amount of £3. 6s., in 1936, now in 1937 raised to £3. 9s. by adjustment under 'C' series of retail prices—and there should also be a 'loading (constant),' at this declaration amounting to 6s. Together, these made a total wage of £3. 15s., of which the £3. 9s. element was adjustable in the sense that it would be varied from time to time according to the cost of living, and of which the 6s. element was 'constant' in the peculiar sense that it could be removed from the wage should due reason be shown. In September 1939, a conference of employers in Melbourne proposed that due reason could now be shown why the 'prosperity loading' should be removed

17 33 C A R, 159.

18 *vide* Labour Report No 24, p 74, for details. The judgment of 17 April declared a basic wage which came into force from 1 May. The average of the new rates for the six capitals was £3 5s, *cf.* £3. 3s. 9d average previously and £3 8s., which would have been the rate had the 1931 cut not been made, and had 'A' series of index numbers been retained for the purpose of wage adjustments.

19. 'A' series of the Commonwealth Statistician's index numbers of retail prices, made up from the prices of 40 commodities, and rents, in a number of cities and towns weighted and averaged, was used by the Commonwealth Arbitration Court (though not designed for such use) until May 1933. This is the 'All-Houses' series of index numbers. 'D' series, also known as the 'Harvester-All Items' series, was prepared for the use of the Court and was used by it in its basic wage judgment of 5 May 1933. This series was derived by applying the variations of the 'All Items' ('C') series of index numbers (food groceries, and rents of four- and five-roomed houses) to the 'All Houses' ('A') series. 'C' series was used from May 1934, with the modification that adjustments should be made to the nearest shilling. *vide* Appendices to Labour Report No 24, for the indices, and the pamphlets by Clarey and Giblin respectively, already mentioned.

20. *Federated Agricultural Implement Machinery and Ironworkers' Association of Australia v H. V. McKay-Massey Harris Pty Ltd and others*, 36 C A R, 39. Beeby J conducted the hearing between 12 December 1935 and 7 April 1936.

21 37 C A R, 691 *cf.* *Sydney Morning Herald*, 24 June 1937.

22. The basis of this wage was (instead of the Harvester basis) the real wage equivalent of the living wage declared by the N S W. Board of Trade in August 1925. *vide* Labour Report No 24, p. 76, for the formula.

from the wage, but the outbreak of war in Europe determined the conference to postpone consideration of the matter.

It may have appeared from this brief review of industrial arbitration in Australia<sup>23</sup> that, having regard to the various uses to which the arbitration machinery has been put, and above all to the fact that hardly had a tolerable system of wage adjustment been adopted when the Commonwealth court was diastically reconstituted, it is futile to attempt to pass judgment on the system as a whole and as a means to industrial peace,<sup>24</sup> or workers' protection, or any other desideratum. No doubt the arbitration courts prevented many industrial disturbances<sup>24</sup> certainly their operations provoked some of the most serious industrial disturbances in the history of the country. No doubt the system has contributed to the successful unionization of labour<sup>25</sup> but one of the most powerful of Australian unions was built up outside the arbitration courts—the Miners' Federation. And so on. You cannot pronounce a judgment on the success of industrial arbitration, according to any criterion whatever, when in fact the subject of judgment is not a constant, when now it is one thing and now another, when now the administration is animated by one social philosophy and now by another. The history of industrial arbitration in Australia, and of the regulation of wages and working conditions by public authorities, is not the history of a development along a single plane. It is a history of interferences, and never could have been anything else, and it is utterly impossible to advance any useful conjecture as to what might have been the course of development of labour relations in Australia had public regulation of them not been systematized. You might as well speculate as to what might have happened if labour and capital had seen their economic interests as mutual and not opposed. All that is clear is that the history of the manipulation of the systems in Australia is illustrative of a constant tendency of both employers and employees to attempt to shape public policy to what they conceive to be their particular interests—a tendency which is not without sufficient illustration of other kinds. However, the history of arbitration does offer such interesting illustrations as those which follow.

23 But note the institution of a system of conciliation commissioners under a 1947 amendment of the Arbitration Act and limitation of the jurisdiction of the Arbitration Court.

24 Evatt J. writes *Control of Labour Relations* art. p. 549. The fairest way of testing the position is to ask what would have happened in Australia in the absence of the wage fixing tribunals? The result might well have been disastrous. In the low wage States the undoubted tendency would have been to reduce the workers' standards to a lower level. Faced with the unfair competition which would have resulted (because of interstate free trade) employers in the high wage States would have demanded equalization of conditions. There would have been very great industrial upheavals and no one can be dogmatic as to the consequences. In all probability the Federal tribunal has prevented great evils.

25 *ibid.*

(1) Public regulation of the conditions of labour was entered upon originally by common consent of employers and employees, at a time when the failure of large scale 'direct action' had weakened the coercive organizations of the employees—the trade unions and labour councils

(2) In the early years of the operation of the New South Wales and Commonwealth courts—a period during which Labour political strength exerted itself effectually in the framing of arbitration legislation—it was employers and employers' organizations, in almost every case, that approached the courts of law with the object often achieved, of hindering the smooth functioning of the industrial arbitration machinery

(3) Serious industrial disturbances, in Queensland and New Zealand in 1912-3, when non Labour governments were in power, were reflected in the adoption of punitive or restraining legislation, in relation to the machinery for the fixation of wages and adjudication of disputes <sup>26</sup>

(4) The outbreak of European war in 1914, when machinery for the adjustment of wages to maintain workers' purchasing power had not been installed, led to a fall of real wages which lasted for some years. According to official figures,<sup>27</sup> real wages were 10.4 per cent lower in 1916 than in the pre-arbitration year 1901, and according to the Commonwealth court <sup>28</sup> the wage earners received only 48.4 per cent of the 'national dividend' during the war period, as compared with 56.2 per cent in 1907, a fall of 14 per cent. Such were the effects of the lag of wages behind prices that when the Basic Wage Commission declared in 1920 that a reasonable wage for a man and wife with three children under fourteen years was about £5 16s, and the Harvester equivalent for Melbourne was £4 13s, the actual wage level was only £3 18s to £4. 2s,<sup>29</sup> or 16 per cent below the Harvester standard and more than 26 per cent below what the royal commission deemed a sufficient wage

(5) Although a system of quarterly adjustments was instituted in the early 1920's, most of the period during which it was put into effect was one of non-Labour government of Australia, a period of the reconstitution of the Commonwealth court, a period during which New South Wales and Queensland adopted devices to improve the material lot of the lowest-paid worker but the Commonwealth strengthened the penal provisions of its industrial and industrial arbitration statutes. The principle of the basic wage

<sup>26</sup> *vide* the account in H. M. Murphy's *Report on Anti Strike Legislation* 1915 including Appendices pp 115 *et seq*

<sup>27</sup> From statistics in Labour Report No 24 p 76

<sup>28</sup> Judgment after Basic Wage Enquiry 1931, 30 C A R at p 18.

<sup>29</sup> Labour Report No 24 (p. 85 and *note*)

was not attacked at this time, 1921-30, but the timberworkers' case and the waterside workers' case illustrate, respectively, the way in which the Commonwealth government used legislation to impede the court from shortening the working week, and the way in which the court itself was responsible for serious industrial trouble by introducing penal novelties into its awards.

(6) In 1928-9 the Commonwealth government, with the support of employers' organizations, was prepared to discontinue the federal arbitration system unless the Commonwealth were given exclusive authority in the industrial field, but the employees' organizations, and (as the referenda of 1919 and 1926 and the general election vote of 1929 showed) the majority of citizens, were not prepared to give the Commonwealth full power, and were opposed to the discontinuance of the federal arbitration system in its limited form.

(7) In 1930 the first Labour government of the Commonwealth since 1916 modified some of the penal provisions of the 1928 legislation, but because of its parliamentary situation could do nothing to prevent the Bruce-reconstituted court from repudiating (1931) the Harvester basis.

(8) The mode of 'restoration' of the basic wage, in 1933-7 under non-Labour governments, did not include any return to the Harvester basis and specifically included a 'loading' provision which can be used to reduce the basic wage as was done in 1931.

It would seem to be arguable, if these are the essential considerations which emerge from analysis of the arbitration systems as they have been operated, that in the Commonwealth court sphere at any rate (and the spheres of the courts subsidiary to it) industrial arbitration has not worked out in a fashion strikingly to the advantage of the worker in industry. Yet during the effective history of the system since 1902 the trade unions by and large have at no time denounced arbitration as a system, and even the single great union which for long held itself beyond the jurisdiction of both Commonwealth and New South Wales courts, the Miners' Federation, made it its business to seek advantages from the Commonwealth court in 1937-9, using the method of the strike in conjunction. The miners' strategy furnishes a perfect example of a union profiting from the lesson of an experience which taught that in industrial arbitration, as in international arbitration, the cream of an award is skimmed off for the stronger party.

When we enquire what is the explanation of this Labour tenderness for a system which upon the whole has not been tender to Labour, we might expect to find the explanation in a rise of real wages in the arbitration period. And it is probable that, as far as the large proportion of workers on margins are concerned, such

a rise has taken place. The statistics in the Labour Reports would suggest it<sup>30</sup> but obviously they cannot indicate what proportion of the increase is attributable to technological progress requiring new forms of skilled labour, or greater skill, which has created its own market value. In fact, the shift of labour to higher levels of skill (and, of course, not only in Australia) makes it hard to find an 'average real wage of 1939 to compare with an 'average real wage of 1907 or 1902. The explanation of Labour support of arbitration is not completed, then, by reference to the gains which Labour has made under arbitration, the large body of basic wage workers has not gained a higher real wage.

However, customarily the arbitration machinery has not been so susceptible to pressure by employers as has the political and administrative machinery of governments, nor is the existence of a permanent forum without obvious attractions to trade unions which have been able to extend and strengthen their influence in consequence of the coherence which their arbitration business gives. In the last resort, perhaps the weaker unions cling to the court because it nourishes them as organizations, the stronger, because in their view the jurisprudence of industrial arbitration acknowledges as a principle the argument of strength.

### (b) *The Trade Union Movement*

The trade union movement was able to improve its organization beyond measure, in the quarter of a century between the wars. This vastly improved organization was probably the principal factor in making possible a slight increase of real wages. The trade union in Australia, as elsewhere, has not contributed much towards any change of the economic system. But it has operated as a defensive

<sup>30</sup> cf. the figures in Labour Report No. 24 p. 67. Here are given in parallel columns (1) nominal weekly wage index numbers (2) percentage unemployed (3) rate of wage index numbers allowing for unemployment (4) (All Houses) retail price index numbers (5) effective or real wage index numbers of those in full work and (6) effective or real wage index numbers allowing for unemployment. In the pages preceding it is set out how the nominal weekly wage index numbers are arrived at. Columns (5) and (6) read as follows:

Effective or Real Wage Index Numbers (1911 = 1000)					
	Full Work	Allowing for unemployment		Full Work	Allowing for unemployment
1901	964	945	1920	911	894
1907	996	986	1921	1076	1002
1908	946	934	1922	1126	1072
1909	974	963	1923	1062	1035
1910	985	974	1924	1095	1016
1911	1000	1000	1925	1081	1031
1912	955	946	1926	1072	1015
1913	975	970	1927	1102	1075
1914	948	912	1928	1115	1041
1915	854	813	1929	1082	1039
1916	864	854	1930	1152	976
1917	930	907	1931	1185	901
1918	932	921	1932	1168	870
1919	907	889	1933	1178	926

mechanism of great value to the working classes. This was particularly the case during the long period of conservative government of the Commonwealth after 1916. The depression of real wages and the worsening of conditions of employment were the chief causes of great strikes in the coal, shipping and railway industries in 1916-7, and again in 1928-30 in the coal, waterside and timber industries, and in most of the disputes which took place in these important spheres, the state took sides with one party, the employers. It is clear that but for the existence in the affected industries of powerful combinations of the employees (battered and set back as they were in the issue of most of the disputes), there would have been a greater degradation of the workers' standards than was actually brought about.

Thus, it has to be observed that as soon as the shock of the labour defeats of the 'ninties had been absorbed, about 1908, and various state labour-regulation systems set in motion, there began a series of large-scale industrial conflicts which were quite comparable with the great key-industry conflicts of 1890-4. First the Broken Hill silver-lead miners and the Newcastle coal miners, and then the workers of all industries in Brisbane (1908, 1912), later the New South Wales railwaymen and others (1917), then the seamen (1917, 1919, 1925), waterside workers (1928), timberworkers (1929), coal miners (1929-30), and so on, joined issue with the employers and the governments in bitter struggles. And in almost every such major dispute the originating cause of trouble was not any action or demand of the workers in the industry concerned, but of the employers, or the court, or governments. Employees affected must have been much worse off if it had not been for the consolidation of their trade union organization which was progressing, though with difficulty, throughout. This period of serious industrial disturbances, 1908-30, is almost precisely the period during which the lack of co-ordination which the unions had felt so severely in 1891-4, was to a large extent gradually redressed. The tendencies characteristic of Australian trade unionism during this period of more than twenty years were (1) a tendency to the federation of state or district unions, the federations at length engrossing more than four-fifths of total trade union membership;<sup>31</sup> (2) a tendency to improved district organization (in trades hall

31 Taking only the first four years of reliable official statistics of trade union membership (from Labour Report No. 6) in 1912 there were ten unions operating in all States, and they had 131,201 members out of a total of 433,224 unionists, and in 1915 there were 23 of these six-State unions, with 197,310 members out of 546,556. In 1937 (Labour Report No. 28) there were 46 all-State unions, with 366,172 members out of 856,283. There were then 358 unions, of which 113 are described as 'federal' inasmuch as they operated in more than one State, and the 113, though less than a third of the total number of unions, contained 84 per cent of the total number of unionists, neatly enough, 84 per cent of organized employers belonged to associations organized on an interstate basis—143,445 out of 169,674 members of employers' organizations (*ibid.*, pp. 143, 147).

councils) of trade unions of all industries and crafts, (3) a tendency towards further centralization, on a joint foundation of the federal unions in separate industries, of the district labour councils embracing the district branches of the federal unions, and the remaining craft unions as well. These tendencies might not have come to much—could scarcely have led to the 'federalising' of the trade union movement which was at length attained—had it not been for the impulse to federate which the Commonwealth Arbitration Court supplied. Arbitration created a body of experts in industrial relations and industrial law. Also, it strengthened immensely the trade union organization.

In New South Wales the trade union movement received its worst setback since 1894 when, from 1917, the Nationalist government, in which the former Labour politician, W. A. Holman, was premier, and the former Labour politician, G. S. Beeby, was minister for labour, maintained for years a discrimination against railway employees of the state who had been concerned in an eight weeks' strike in 1917. The unionist railwaymen who struck work on this occasion numbered 20,000,<sup>32</sup> and there may have been as many as 100,000 unionists in other industries involved including 65,000 in New South Wales.<sup>33</sup> This strike, in which greater numbers were involved than in any previous industrial dispute in Australia, took place when, in consequence of a steep price rise and a lack of machinery of wage adjustment, the average real wage was, according to the Commonwealth Statistician, lower than in 1901. The matter in dispute is thus described,<sup>34</sup>

The men ceased work at Randwick State Workshops on August 2, 1917, owing to the introduction, without due notice of what is termed the Card System, a new system recording amount of work done by each individual employee on each part of the various jobs. It was contended for the men that it was the Taylor Card System in use in the Ford motor car workshops in America and which has been described as a speeding up system of the very worst type and as such repudiated by the trade unionists of America. The Chief Railways Commissioner on the other hand contended that it was not the Taylor card system but merely an improvement on the various costing systems in use throughout Australia.

The system had been introduced into some workshops as early as December 1915, the Railways Commissioners stating that the object was to determine where the greatest falling off in output of

<sup>32</sup> *vide* the Report p. xiii of Edmunds J., a Judge of the Court of Industrial Arbitration appointed to act as a Royal Commission to enquire into the administration, control and economy of the railway and tramway services of New South Wales. His Report of 13 February 1922 is in NSW *Parliamentary Papers* 1922 2nd session vol. iii. On 1 August 1917 the wages staff of the NSW Railway Commissioners (controlling tramways as well as railways) was 42,540 in number. On 14 August 20,300 of them were on strike.

<sup>33</sup> Labour Council of NSW *Railway Strike 1917, Report and Balance Sheet* p. 3.

<sup>34</sup> *ibid.*, p. 3.

work per man had taken place,<sup>35</sup> and after it had been withdrawn upon the representations of the unions, it was reintroduced on 20 July 1917. On 26 July the Electrical Trades Union referred its objection to the system to the Labour Council of New South Wales, and on the 29th and 31st union deputations to the Chief Commissioner of Railways failed in representations to have the system withdrawn. The railway unions called out their men from 2 August and on 4 August offered to send them back if the card system were withdrawn and a royal commission appointed to enquire into it. This offer was rejected, and on 6 August the acting premier, G. W. Fuller, said,

If the strike does not terminate before ordinary working time on Friday next the Government will utilise the offers of services already made and will call for volunteers to assist in running the services.<sup>36</sup>

The call for volunteers was made two days later, and on 12 August Fuller caused to be published this remarkable proclamation.<sup>37</sup>

#### TO THE PEOPLE OF NEW SOUTH WALES

The enemies of Britain and her Allies have succeeded in plunging Australia into a General Strike.

At the back of this Strike lurk the I W W and the exponents of Direct Action.

Every striker is singing from day to day the hymns of the I W W and marching to their music.

*The Government is not against the Unions.*

All Unionists who volunteer for work will be accepted as Unionists, and will be enrolled as members of the new Unions registered under the Trades Unions Act.

Who is for Australia and the Allies?

(Signed) GEORGE W. FULLER  
Acting Premier

Whoever may have been for Australia and the Allies, the creation of 'company unions'<sup>38</sup> antagonized trade unionists generally, and the strike spread. The Labour Council defence committee accepted on 10 September terms of settlement<sup>39</sup> providing for a return to work on the government's undertaking to appoint a royal commission after three months' trial of the card system, and on the further undertaking that strikers should not be victimized. Ultimately most

<sup>35</sup> 1922 Royal Commission Report p. xvi.

<sup>36</sup> 1922 Royal Commission Report p. xxi.

<sup>37</sup> *ibid.* p. xxiii.

<sup>38</sup> H. V. Evatt writes (*The 1917 Strike and the Aftermath* p. 9, Sydney Worker 1924) that the Government encouraged the formation of bogus unions contrary to the terms of settlement and began the process almost immediately. He draws attention to the fact that men in the tramway service were employed to canvass for members of the Government unions and that the Government in answering questions on the subject in Parliament made (1922 Royal Commission Report p. lxix) a deliberate attempt to suppress the truth.

<sup>39</sup> *vide* 1922 Royal Commission Report p. xxiv and the Labour Council Report and Balance Sheet, pp. 3-4, for the terms.

of the strikers returned to work, but thousands of railwaymen, besides seamen, wharf labourers and coal lumpers, were replaced by 'loyalists',<sup>40</sup> in spite of the clause of the September agreement which stated, 'It is mutually understood that work shall be resumed without resentment, and employment offered without vindictiveness.' Two royal commissions<sup>41</sup> did little to redress this situation, in August 1920, 3,000 of the striking railwaymen had not been re-employed (including 1,000 who had not offered for re-employment),<sup>42</sup> and it continued to be 'recognized by the Government and the (Railway) Commissioners that some punishment should be meted out to those men who defied them, and went out on strike'.<sup>43</sup> Many of those who returned were deprived of seniority.

Reference was made in the preceding part of this account (*Wage Standards and their Regulation*) to the series of major industrial disputes which took place in 1928-9, including the nine months' strike of the timberworkers of New South Wales and Victoria—the longest and, on both sides, the most intensively organized struggle in the history of the Australian trade union movement.<sup>44</sup> More than £22,000 had been raised by the unions to maintain the 1917 strike,<sup>45</sup> more than £122,000 was raised by the Labour Council of New South Wales to maintain the timberworkers' strike.<sup>46</sup> The 1929-30 lock-out in the New South Wales coal mines<sup>47</sup> and the 1928 strike in many Australian ports against the Beeby award were both attended by armed police action against strikers, who were fired on at Rothbury on the northern coalfields and at Melbourne. In two important particulars, thus, the great industrial struggles of the arbitration era partook of the character of the earlier, pre-arbitration struggles of 1890-4.

However, while these engagements were going on, the trade

40 *vide* Evatt, *loc cit passim*. Labour Council Report and Balance Sheet p. 4. Report of the Royal Commission (Curlewis J., of the Industrial Arbitration Court) into the working of the job and time cards system introduced into the tramway and railway workshops of the Railways Commissioners, *passim* (including the reference on p. vii to 'University students and schoolboys' who came in to take the place of the strikers) 1922 (Edmunds J.) Royal Commission, Report, pp. xiii xxvii iii etc.

41 The Curlewis and Edmunds Royal Commissions of 1918 and 1922 respectively referred to in the previous note.

42 1922 Royal Commission Report, p. xiii.

43 Railways Commissioners to the Minister for Public Works 1 July 1918 *cit* Evatt *loc cit*, p. 17.

44 *The 1929 Lock-out in the Timber Industry*, including financial account and balance sheet to 31 December 1929, by E. R. Voigt and J. S. Garden (assistant secretary and secretary of the Labour Council of N.S.W.), p. 5, Sydney, 1930.

45 The Labour Council's balance sheet for the 1917 strike shows receipts of £22 10s 2s plus a loan of £1,000 by the Amalgamated Society of Engineers. Donations were sent by Victorian Queensland and Western Australian trade union organizations. The bulk of the money was spent on relief to members of 40 unions that were on strike.

46 *vide* Voigt and Garden, *loc cit.*, attached balance sheet. Receipts totalled £122,555 16s., of which ten unions contributed nearly £58,000.

47 *vide* for the economic position of the coal industry about this time the Report of the Commonwealth-N.S.W. Royal Commission of 1929 (Davidson J., H. W. Gepp, L. K. Ward), in N.S.W. *Parliamentary Papers*, session 1929-30, vol. iii. The miners' unions refused to submit to a wage reduction and the men were locked out.

unions were, as stated, improving the co-ordination of their resistance to the employers, the governments, and on occasion the industrial courts. The 'One Big Union' movement was a major feature of this development of organization. The early stages of this movement are well described by V. G. Childe (then secretary to John Storey, the Labour premier of New South Wales, afterwards Childe became a professor of archaeology) in his book, *How Labour Governs*. He states<sup>48</sup> that the aftermath of the 1917 strike lasted long. The working class of Sydney experienced a period of distress and actual starvation which had not been paralleled in their generation'. One sequel was an increase of interest in proposals for the consolidation of the trade union forces in industrial unions, embracing many crafts and trades—proposals which the Industrial Workers of the World organization had been urging since its advent to Australia in 1907. At the end of 1917 the Labour Council of New South Wales approved a One Big Union scheme propounded by J. S. Gaiden. According to this plan, after the I.W.W. pattern, there would be six departments of a single union of all workers, being (1) building and construction, (2) manufactures, (3) transport and communication, (4) agriculture and fisheries, (5) civil service and public utilities, and (6) mining.<sup>49</sup> Opposition by the powerful Australian Workers' Union, whose leaders desired that it should be the nucleus of any general union, destroyed the O.B.U. plan, which an all Australian Trade Union Congress adopted. 'This grandiose edifice came to nothing. It had officials provisionally appointed at Melbourne, but no members'.<sup>50</sup> The principal relic of the scheme which survives (1948) is the peculiar title which the Miners' Federation wears at Broken Hill—the Workers' Industrial Union of Australia (Mining Department).

In 1919 the unions had to extemporise a federal organization for the purpose of nominating representatives to act on the Basic Wage Commission and in 1921 this 1919 conference of the Federated Unions of Australia seemed to promise to be transformed into a permanent Council of Action (of 13 members), when the Melbourne All Australian Trade Union Congress adopted the One Big Union scheme, which the Council of Action of the trade union movement was to put into effect. But, as Mauldon points out<sup>51</sup> there was really not much likelihood of the development of a One Big Union of Australian workers by the efforts of this council, which was made up of persons opposed to the One Big

48 p. 185

49 *vide* Childe *op cit* Chapter XI for an account of the O.B.U. plan

50 Childe *op cit* pp. 193-4

51 *vide Economic Record* Melbourne May 1928. Note by F. R. C. Mauldon. The Australasian Council of Trade Unions, pp. 107-10, at p. 107

Union scheme! A Commonwealth Disputes Committee was established by an all-Australian Trade Union Congress in Adelaide in 1925, to replace the Council of Action, but it, too, lapsed. But in May 1927, another All-Australian Trade Union Congress, held in Melbourne, reached a decision to establish a central organization to be known as the Australasian Council of Trade Unions, and this body persisted (from 1947 as the "Australian" council).

The Australasian Council of Trade Unions is not the One Big Union, *but it has performed the function of co-ordination which*, in the seventy years of Australian trade unionism before it, had been entirely lacking, to the very great disadvantage of the unionized workers as had been amply demonstrated in the great strikes and lock-outs during forty years from 1890. The dislocations in the timber and waterside industries came shortly after the first steps were taken to organize the A.C.T.U., and in the circumstances it was not able to play the leading part which a well-established council might have assumed. But its efforts on those occasions were such as to win a measure of trade union support for it, and in the years since, it has gradually increased its influence so that, in spite of the abstention from its proceedings of the great Australian Workers' Union, by 1939 it could take, without question, the rôle of director of a union campaign against what trade unionists considered to be preparatory measures by the Commonwealth government for the conscription of labour in the event of war. The Australasian Council of Trade Unions has operated by means of an emergency committee of four members, Victorian trade union leaders, who from time to time summon a full interstate executive, made up of a president, secretary and two vice-presidents, and two delegates from each state branch. Western Australia is not included in the organization, so that the full executive consists of fourteen members. *On occasions of vital import to the whole trade union movement*, the emergency committee calls the federal unions to conference, and their decisions naturally help to shape the policy of the whole organization as determined by the Interstate Executive between All-Australian Trade Union Congresses (which lay down general policies to be pursued). Such has been the development of the federal basis of organization of single unions, since the federation of the wharf labourers' unions in 1902, the miners' in 1908, and the ironworkers' in 1912, for example, that the federations of numerous membership to-day make up the great bulk of total Australian trade union membership. Insofar as the A.C.T.U. is supported by these organizations, and by its constituent branches, the Labour Council of New South Wales, the Trades and Labour Council of Queensland, the Melbourne Trades Hall Council, the

United Trades and Labour Council of South Australia, and the Hobart Trades Hall Council, it represents, and can try to carry into effect the policies of, several hundreds of thousands of Australian trade unionists. Necessities of organization which were created by the institution and extension of the Commonwealth Arbitration Court have been of the first importance as the conditions in which the federalizing of the trade union movement has been brought about.

#### v. *The Rôle of the State*

Australia as described in the early chapters of this study differed remarkably from the Australia of the first half-century of white settlement, the difference from the point of view of a student of economic development amounting to this: that whereas the earlier community was primarily a state-supported penal establishment, from 1834 imported capital applied to woolgrowing and associated or derivative industries rapidly endowed the community with the character of British private instead of public enterprise, a field for investment, a profitable colonial territory. Fifty years after the Forbes Act of Council, 1834, had offered inducements to British capitalists to invest in New South Wales, the Australasian colonies, with three millions of people, were repositories of nearly twice as much British capital as the Dominion of Canada, with a population half as big again. India, Ceylon and the Straits Settlements, whose 250 millions of people were the subjects *par excellence* of exploitation by British capitalists, had attracted perhaps £260m. of British capital, but as much as £200m. was then invested in Australia and New Zealand, a quarter of the total representing deposits, shares and debentures in banking, mortgage and agency companies, and more than half the total representing government bonds. From India and the Straits £13m. of tribute reached home each year, and from Canada something less than £5m.; the British dividend from Australasia amounted to more than £10.5m. a year in 1884, thirty years later it amounted to nearly £17m., and to-day it is far more.<sup>52</sup> These are indications of the immense private interest which was vested in the colonies of Australasia as a sequel of the early New South Wales development of sheepraising for fine wool, and which was first encouraged by the colonial legislation of 1834 which relieved the British banker in Australia of the obligation to observe usury laws. For of all the colonies of England,

52. The 1884 statistics are from a series of papers, 'The Extent of our Colonial Investments,' in the *Economist*, 9, 16 and 23 February 1884, pp. 160-161 196-7, 237-8, and the comparison of the position 'thirty years later' is from R. L. Nash's *Australasian Joint Stock Companies Year Book, 1913-4*, pp. xxi-xxvi. The position today remains to be estimated, but the interest due annually to British holders of Australian government bonds and stocks alone far exceeds the amount which Nash calculated was payable to bondholders and investors in banks, and agency and other companies, in 1913.

those in the Pacific were the moneylenders' chosen ground; fifty years after the Forbes Act, two-thirds of a total of £75m. of British money invested in the British colonies through finance companies was invested in Australia and New Zealand.<sup>53</sup> Before 1834, the rôle of the state was to provide British capitalists with free land and labour in Australia; afterwards, having facilitated the importation of capital for investment, its rôle was to provide services which would facilitate the earning of dividends on the capital invested. Of course, as time passed and as the great native enterprises which have been described came into existence, a substantial part of the dividend earned went to Australian shareholders and did not go 'Home.'

Enough has been said in this concluding chapter, of the means which the governments used to serve capital. Finally, it may be noted that the parts which the state has been called upon to play have not been of many kinds. Perhaps the state has had four main functions, from the point of view of those with a 'stake in the country.' The first is to take the responsibility for adjusting claims when the economic system has reached crisis, as in the 1890's or 1930's. The second is to administer essential services, like railways, in the operation of which private enterprise could not see much profit. The third is to nurture enterprise, including well-capitalized undertakings, by means of tariffs, bounties and other concessions. The fourth is to take the responsibility of restoring to private capital from time to time, as far as is practicable, power that has been taken away from it. A case in point is the creation of the Commonwealth Bank Board in 1924. Throughout Australian history, these efforts on the part of the state have yielded a high average dividend to capital, including much English capital. The reservoir of Australian labour and industry has never failed to provide a stream tributary to the broad river of English wealth.

53. *Economist*, 9 February 1884, p. 160.

## INDEX

- Acts Austn Colonies Govt (U K., 1850), 100, Industries Preservation (1906), 241, 264, Lands (U K., 1842), 88, (1846), 99, Notes (1910), 267, 305  
     Bank Charter (U K., 1833), 4, (1844), 83, 107, Issue (1893), 256, Notes Tax (1910), 267, 305  
     Bounties (1907, 1912), 264, 265, 323, Bullion (1852), 106 8, Chinese Immigration Restriction (1855), 260, Coal Fields Regulation (1855, 1862), 200, 204 Coal Mines Regulation (1890), 205  
     Combination Laws Repeal Act Amendment (U K., 1825), 201, Commonwealth Bank (various), 241, 266, 275 300, 305, 306 Conciliation and Arbitration (var), 230, 231, 322 Companies (1864), 253, Concil and Arb (N S W., 1899), 230, Constitution (1842), 69, Corn Laws (U K., var), 6 *et seq.*, 81 2 Corn Laws Repeal (U K., 1846), 7, 81 2  
     Crimes (1914 32), 196 334, Crown Lands Alienation (1861), 138 *et seq.*, 148, Current Account Depositors (1893), 256, Customs Tariff (1902), 264, (1906), 323 (S. African Pref., 1906), 316 (1908), 264, 287, 313, (var), 313, (N Z Pref., var), 313 4  
     Discharged Soldiers' Settlement (1917), 277, Electricity Commissioners (1918), 294, Employment of Females (N Z., 1873), 200n, Excise Procedure (1907), 265, Tariff (1902, 1905), 241, 252, (1906), 263, 323  
     Factories and Shops (1885), 200, (1896 1907), 230, 232  
     Family Endowment (N Z., 1926), 328 9, Financial Agreement (var), 303, 304, Emergency (1931), 315, 'Forbes' (1834), 31, 33-4, 36, 40, 78, 106, 143, 299, Goldfields (N Z., 1857), 163, Homestead (U S., 1862), 138, 139, 150, Indust Arb (1901), 230, 235 6, 322n, Disputes (1908), 230, 320, (1909), 230, 232, 236 320-1, Peace (1912), 252, 325.  
     Labour Relations (U S., var.), 316, Land (1898), 277, Lands (var), 138 *et seq.*, 254, Land Tax (1910), 241, 265 6, Liens on Sheep (1843), 77, 143, 'Lord St. Leonard's' (U K., 1867), 317, Mallee Pastoral Leases (1883), 152, Manufactures Encouragement (1908), 264, 287, 323, Masters and Servants (var), 63 4, 199, 224, Morrill (U S., 1862), 150  
     N S W. Judicature (U K., 1828), 68, N S W. and V D L Govt (U K., 1842), 80, 88, N Z. Constitution (N Z., 1852), 96, Peace Preservation (1894), 325, Poor Law Amendment (U K., 1834), 6 *et seq.*, 64, 65, 85, Railway Employees' Strike Suppression (1903), 235, 321, Real Property (1858), 171, 'Reform' (U K., 1832), 7 *et seq.*, River Murray Waters (1915), 284, Sale of Crown Lands (1861-5), 141 *et seq.* Scrub Lands (1866, 1877), 152, 'Selection' (var), 138 *et seq.*, 148, 254, South Australian (U K., 1834), 24 *et seq.*  
     Sugar Bounty (1903), 252, 264, Abolition (1912), 296, Sugar Cane Prices (1915), 296, Sugar Cultivation (1912), 296, Growers (1912), 296, Growers' Employees (1912), 296  
     Surplus Revenue (1910), 303, Trades Disputes Concil and Arb. (1892), 229, Trade Union (var.), 200 1, 211n, Tramways Trust (var), 167 8 Transport Workers (1928, 1929) 196, 233, Usury (1830), 40, Water Conservation (1881), 155, 'Wentworth's' (1843), 77, 143, Workmen's Compensation Laws Declaration (1891), 201, Workrooms and Factories (1873), 200n  
 Agricultural education, 144, 150 1, 174 5.  
 American civil war, 123-4, 131, 183, 186  
 Angas, George Fife, 25, 26, 27, 35.

- Arbitration, *vide* Industrial Arbitration  
 Arthur, Sir George, 41, 48n, 80n  
 Australian Labour Party, 230, 231, 232, 259, 261 *et seq*, 321, 332  
   —Loan Council, 299, 304, 307  
   —Patriotic Association, 69n
- BANKING** in Australia, 33 *et seq*, 42, 48, 72 3, 78, 86, 98, 115 7, 119 20, 163, 242, 253 *et seq*, 266 8, 301 *et seq*, in N Z, 98, in U K, 3 *et seq*, 72, 83, in U S A, 5, 117  
 Banks Agric & Commercial, 5, Anglo Aust, 255, Aust, of Commerce, 301, Joint Stock, 120, 256, 301  
   of Adelaide, 301, of A/asia, 3n, 34, 74, 98, 106, 120, 269, of Aust, 34, 74, of England, 3 *et seq*, 72, 83, 107, of N Q, 301, of N S W, 3n, 34, 98, 120, 267, 268, 269, 291, 301, 307, 308 of S Aust, 26n, 35n of V D L, 39, 98, 255, of Victoria, 120, 301, of W A, 301  
   British, of Aust, 255, City, of Sydney, 120, 301 Colonial, of A/asia, 120, 301, Commercial (Eng), 5, Comm, of Aust, 120, 253n, 254, 256, 301, Comm, of Tasmania (of V D L), 98, 301, Comm Banking Co of Sydney, 34, 78, 98, 120, 267 269, 301  
   Commonwealth, of Aust, 196, 266 8, 272, 275, 299, 301, 304 *et seq*, C wealth Savings, of Aust, 272 Cornwall, 39, Derwent, 39, 48, 98 E S & A, 120, 256 301, Federal, 255, London & Westminster 5, Lond, of Aust, 120, 256, 301, Lond Joint Stock, 5, Mercantile, of Aust, 255  
   National, of A/asia, 120, 301, Nat, of Tas, 301, Nat Provincial, 35, N S W Savings, 74, N Z Banking Co, 98, Northern Central, 5, Oriental, 120, Port Phillip, 34, 72, 74, Queensland Nat, 257, 301, Royal, of Melbourne, 301, R, of Q, 301, R, of Westminster, 3, S A Banking Co, 26n, 106, Sydney Banking Co, 34 72, 74, Union, of Aust, 34 5, 71, 74, 78, 98, 106, 120, 298, 301, Union, Lond & County, 5, United States 5
- Barton, Sir Edmund, 260, 264, 290, 318  
 Batman, John, 21n, 44, 46, 48.  
 Bavin, Sir Thomas, 292  
 'Bawra', 284 5, 315  
 Bayley, Arthur, 243  
 Beeby, Sir George, 318, 320, 332, 335, 336, 342  
 Berry, Sir Graham, 129, 143, 211  
 Blaxland, John, 69  
 Bonney, Charles, 42  
 Bounties, 252, 264, 285, 292 3, 313  
 Bourke, Sir Richard, 21n, 48, 50, 68, 69n  
   Braddon clause, 301, 303  
 Bradford, Leslie, 246  
 Brady, E J, 225  
 Brisbane, Sir Thomas, 33, 69n, 184  
 Brodrigg, W A, 43 *et seq*, 53  
 Bull, J W, 146  
 Bruce, S M, 268, 275, 329, 330, 331, 332  
 Bûhot, John, 185
- CABLE COMMUNICATIONS**, 166 7  
 Canada, 17 9, 158, 160, 165, 166 191, 314, 347  
 Carmichael, A D, 179, 246  
 Casey, R G, 315  
 Census results, 197, 198, 276, 291n  
 Chaffey, George, William, 156, 282 3  
 Chartism, 6 *et seq*, 12 *et seq*, 84, 210  
 Chifley, The Rt Hon J B, 268n  
 Child endowment, 271, 275, 328 30  
 China, 147, 181, 314  
 Chinese, in Australia, 112, 260  
 Chisholm, Caroline, 93  
 Christison, Robert, 172n  
 Clark, Robert, 207  
 Closer settlement, 270, 276 *et seq*  
 Coach services, 167, 168  
 Coal mining 180 1, 202 *et seq*, 237 8, 247, 291 4 prices, 203, 204, 205, 291 2, 307  
 Commissariat expenditure, 72, 76, 96, 118  
 Commonwealth Court of Conciliation and Arbitration 232 *et seq*, 237 239, 265, 275, 317 *et seq*, 333 *et seq*, basic wage, declarations of, 196, 241, 275, 307, 323 4, 327, 331, 335 7, High Court and, 239, 322, 332  
 Commonwealth Shipping Line, 272  
 Commonwealth Woollen Mill, 273, 297n  
 Companies, firms Albion mill, 297n  
   Alliance Assur Co, 42, American Telegraph Line of Coaches, 168,

- A/Asian Sugar Co, 185, Aust Agric Co, 11n, 19, 99, 135n, 180, 203, 204, 206, 238, Aust Frozen Meat Export Co, 173, Aust Gas Light Co, 42, 206, Aust Iron & Steel Ltd, 287, Aust Merc, Land & Finance Co, 302, Barings, 255, Barwon mill, 297n, Beath, Schiess & Co, 216, Bellambi Co, 238, Brisbane Tramway Co, 239 40  
 British BHP Co, 246, BH Assoc Smelters, 290, BHP Co, 177, 179 80, 208 9, 223, 236 8, 245 7, 261, 264, 270, 274, 287 *et seq*, 296, BHP Block 10 Co, 237, BH South, 289, 290, Burwood colliery, 206  
 Caboolture Cotton Co, 186, CPR, 166 Coal & Copper Co, 204, Cobb & Co, 168 9, CSR Co, 274, 285, 290, 296, Dalgety & Co, 290, 302, Duke & Co, 76, Eastern & Aust Joint Stock Co, 51, East India Co, 17, ER & S Co of Aust, 289, 290, Eskbank Iron Works, 286 7n  
 Federal mill, 297n Ferndale colliery, 206 Francis Cocke & Co, 218 Fresh Food & Ice Co, 175 G & C Hoskins, 287, Gen SN Co, 42, 76, Glyn, Halifax, Mills & Co, 34n Goldsbrough, Mort & Co, 134n, 302  
 Hetton colliery, 206, Howard, Smith & Co, 212 Hughes & Hosking 74, Hunter River SN Co, 42, 171n Hunter's R. Auction Co, 76 H V McKay & Co, 323 4, 336 J & A Brown, 204, 206, J B Montefiore & Co, 34, Laidley, Ireland & Co, 206, Marine Insur Co, 42, McIlwraith, McEacharn & Co, 171 Melb Assur Co, 42 Mort's Dock & Eng Co, 171n Mt Kembla Co, 238, Mt Morgan Gold Mining Co 289  
 Nanto Bordcluse Co, 30 New castle Coal Mining Co, 206, New castle Wallsend Co 206 238 New Guinea Co, 188, NG Prospecting Assoc, 188, New Lambton colliery, 206, NZ and Aust Land Co, 173, NZ Colonizn Co, 28, NZ Co, 19 *et seq*, 28, 96, 97, NZ Land Co, 23 *et seq*, NZL & M Agency Co, 302, North BH, 289, 290, Northern SS Co of NZ, 212  
 Orient SN Co, 167, P & O SN Co, 97, 167, Pimpana Co, 185, Prem Perm Building Soc, 254 5 Scottish Aust Co, 206, Smelting Co of Aust, 290, SA Co, 19 *et seq*, 25 *et seq*, Steam Conveyance Co, 42 Stockton colliery, 206, Sulphide Corp'n, 289, Sydney Auction Co, 76, Union Assur Co, 42, Union mill, 297n, VDL Co, 19, 98, Victorian Woollen Mills, 297, Waratah Coal Co, 204, W R Robinson & Co, 82 Zinc Corp'n, 290  
 Convictions, criminal, UK, 57, 65, 84  
 Convict transportation, 54, 56, 59 *et seq*, 72n, 76, 86, 90 2  
 Co operatives butter, 175, 176, coal mining, 205, 216, printing, 216, tailoring, 216  
 Coppermining, 290  
 Cost of living, 324 *et seq*  
 Cotton industry, 124, 131, 183, 186  
 Cowper, Sir Charles, 100  
 Crown Lands, alienation of, 36 *et seq*, 71, 72, 79, 86 7, 108n  
 Cunningham, Allan, 51  
 DAIRYING INDUSTRY, 173 7, 191, 242, 247 8, 270, 285, 307, 311, 315  
 Dangar, H and W, 169  
 D'Arcy, W K, 179  
 Darling, H G, 287  
 —John, 322  
 —Sir Ralph, 78, 184  
 Deakin, Alfred, 155, 174, 235, 264, 268, 323  
 Debt, imprisonment for etc, 78, 79  
 Delprat, G D, 246, 287  
 Dethridge, Chief Judge, 318, 332, 335  
 Dibbs, Sir George, 205  
 Drake Brockman, Judge, 318, 332, 335  
 Duffy, C G, 84, 128, 142, 143, 174  
 EBDEN C H, 52  
 Eight hour day, 200 209 11, 213, 252 334  
 Employers' associations, *vide* Trade union and employers' associations  
 Engels, Friedrich, 12  
 Eureka mining, 206 7, 218  
 Evatt, Mr Justice, 318, 319, 320, 332, 333, 337n  
 FAMILY COLONIZATION LOAN SOCIETY, 93  
 Farrer, William, 132, 148, 151, 154  
 Fawcner, J. P., 44, 46, 48.

- Federation of the colonies, 186, 225, 234, 251 2, 259 *et seq*  
 'Federation' wheat, 154.  
 Fertilisers, 148 *et seq*  
 Fielden, John, 11  
 Fisher, Andrew, 235, 239, 265 *et seq*, 275, 305, 324  
 Fitz Roy, Sir Charles, 90, 91  
 Fletcher, James, 203 *et seq*  
 Forbes, Sir Francis, 33, 69.  
 Ford, John, 243  
 France, 15, 23, 30, 167, 187, 190, 248  
 Franklin, Sir John, 80n  
 Frost, John, 8, 12  
 Fruit industrv, 279, 284, 315  
 Fuller, Sir George, 343  
 Fyans, Capt Foster, 45, 46, 50
- GARDINER, JOHN, 44, 52  
 Garran, Dr A, 319  
 Gas lighting, 42, 121, 127, 165  
 George, Henry, 201, 262, 265  
 Germanv, 35, 85, 95, 123, 134, 167, 186, 187, 189, 190, 245  
 Gibson, Sir Robert, 306, 309  
 Gillies, Duncan, 166, 174  
 Gipps, Sir George, 55, 77 8, 86, 88 *et seq*.  
 Gippsland, 173  
 Glenelg, Lord, 15, 21, 27, 48n, 52n, 55, 60  
 Godenich, Viscount, 15, 22 *et seq*, 41, 47 8.  
 Gold discovery of, 10, 80, 94, 97 102 *et seq*, 127, exports, production of, 102, 104, 105, 109 10, 125, 126, 177 8, 243, 269 70, 286, mining, employment in, 105 6, 110, 113, 178, 288, methods of mining, 110 2, 178  
 Goldsborough, Richard, 56 134n, 302  
 Gouger, Robert, 22, 23n  
 Grey, 2nd Earl, 24  
   —3rd Earl, 22, 28, 91  
   —Sir George, 33, 45, 50n, 53  
 Griffith, Sir Samuel, 189, 201, 318
- HARGRAVES, E H, 103 *et seq*  
 Harris, Alexander, 37n, 45, 64, 70, 199.  
 Harrison, James, 170  
 'Harvester' judgment, standard, 196, 241, 323 *et seq*, 335 6  
 Hawdon, Joseph, 44, 52  
 Higgins, Mr Justice, 196, 237, 239, 318, 321 *et seq*, 332  
 High Court of Australia, 239, 252, 263, 304, 316, 318, 319, 322, 332  
 Higinbotham, George, 211  
 Hill, Rowland, 25, 27.  
 Hindmarsh, Capt John, 26, 27.  
 Hobler, George, 62n, 75.  
 Hoddle, Robert, 50.  
 Holland, H E, 237.  
 Holman, W A, 273n, 320, 342  
 Hope, Capt the Hon Louis, 185  
 Hotham, Sir Charles, 165  
 Hovell, Capt W H, 46, 47n  
 Howell, John, 246  
 Howick, Viscount, *vide* Grey, 3rd Earl  
 Hughes, W. M., 333, 334  
 Hume, Hamilton, 46, 47n  
   —Joseph, 6, 12
- IMMIGRATION into Australia, 32 *et seq*, 55, 57 *et seq*, 86 *et seq*, 92 *et seq*, 126, 249, bounty system of, 61, 66 *et seq*, 73 4, 86, government system of, 66 *et seq*, 73, 92 3, into N Z, 29, 113  
 India, 40, 181, 190, 292, 312n, 347  
 Industrial arbitration, 195 *et seq*, 227, 228 *et seq*, 233 4, 275 316 *et seq*, 338 *et seq*  
 Insolvencies, 74, 76, 78, 115, 117 255  
 Investment Australian overseas, 270  
   British, in Australia, 31 *et seq*, 40, 71 2, 117, 118 *et seq*, 130n, 132, 159, 270, 272, 291, 298 *et seq*, 303, 309 10, 347  
 Ireland, 3, 81, 84, 85, 92  
 Iron industry, 180, 217, 264, 271, 286 9  
 Irrigation, 154 7, 277, 282 4  
 Irvine, Sir William, 234, 235  
 Isaacs, Sir Isaac, 318
- JAMISON, 'Sir' John, 56n, 69n  
 Japan, 147, 314 5  
 Jones, Richard, 56n
- KANAKAS, 183, 187, 188, 250 1, 260, 285.  
 Knox family, 290
- LABOUR PARTY, *vide* Australian Labour Party.  
 Land and Reform League, 211  
   —regulations and legislation, 80, 88 *et seq*, 138 *et seq*, 265 6, 276  
 Lane, William, 225n  
 Lang, Dr J D, 42, 75, 92, 184  
   —J T, 308  
 Latham, Sir John, 318  
 Lawson, Henry, 225  
 Leslie, Patrick, 51

- Liebig, Justus von, 169.  
 Light, Col. William, 22n, 26  
 Literacy, 86n  
 Loan Council, *vide* Australian Loan Council  
 Loans, government, 120, 122, 157 *et seq.*, 176, 254, 299, 300, 308  
 Lock outs, *vide* Strikes and  
 Loveless, George, 12  
 Lovett, William, 12  
 Lukin, Judge, 332, 335
- MACARTHUR FAMILY, 34, 52n, 57, 58, 66, 69, 92  
 —John, 32, 57, 137, 183  
 MacLaurin, W. R., 272 3  
 Macquarie, Lachlan, 3n, 32, 34, 269, 271  
 Mallee lands, 151 *et seq.*, 242, 244, 277, 279 82  
 Mann, Tom, 237, 266  
 Manufacturing industry, 129, 153, 169, 181 3, 261 *et seq.*, 285 *et seq.*, 295 *et seq.*, 311  
 Marketing schemes, 310 *et seq.*  
 Marsden, the Rev Samuel, 183  
 Marx, Karl, 12, 20n, 201  
 McBride, D. E., 246  
 McCulloch, Sir James, 128, 173  
 McGowen, J. S. T., 232, 287  
 McIlwraith, Sir Thomas, 171, 189  
 McKay, H. V., 132, 151, 153, 323 4  
 Meagher, T. F., 84  
 Meat industry, 77 8, 169 *et seq.*, 247 8  
 Melbourne, Lord, 6 *et seq.*, 25, 81  
 Metals industries, 191, 226, 237 8, 241, 246 7, 264, 279, 289 90  
 Mett, Albert, 271 2, 276  
 Miller, Sir Denison, 268, 305  
 Mitchel, John, 84, 235  
 Mitchell, Dr James, 99 100  
 —Mayor T. L., 44, 47  
 Molesworth, Sir William, 28  
 Montefiore, J. B., 34n  
 Moran, Cardinal, 223 4  
 Moreton Bay, *vide* Queensland  
 Mort, T. S., 56, 134n, 171, 302  
 Mount Alexander, 104, 105, 106  
 —Morgan, 178-9, 243, 244  
 'Mullenizing', 152, 157  
 Murray river, 24, 44, 156, 251, 282 4
- NASH, R. L., 300  
 National income, 276, 286  
 New Guinea, 186 *et seq.*, 259, 270  
 'New Protection', 241, 252 3, 261 *et seq.*, 271, 301, 323  
 New South Wales convictism, 54, 56, 58 9 72, 76, 100, 188, finance, public and private, 31 *et seq.*, 54 *et seq.*, 71 *et seq.*, 77 8, 86, 93, 118-20, 160 *et seq.*, 254 *et seq.*, 265, 278 80, 298 9, 304, 307 8, 329, industrial arbitration, labour relations, 201, 203 *et seq.*, 222 *et seq.*, 229, 230, 236 *et seq.*, 278 *et seq.*, 317 *et seq.*, 328, 342 5, land settlement, 6, 31 *et seq.*, 50, 52, 53, 55, 72 *et seq.*, 89, 90, 95 6, 138 *et seq.*, 143-4, 277 *et seq.*, manufacturing, 129, 169, 181, 199, 262 3, 273, mining, metals, 10, 94, 99, 103 *et seq.*, 177, 178, 179 81, 286 *et seq.*, 291 4, occupations, unemployment, 62 4, 74 6, 129, 177, 178, 182, 198 9, 204, 258, 262 3, politics, government, 69 70, 80, 287 population, immigration, 31 *et seq.*, 38, 41, 50n, 53, 56n, 57 70, 79, 86, 89, 92 *et seq.*, 119, 125, 258 primary production (except woolgrowing), 95 6, 125, 138, 141, 143 4, 145, 151, 184 5, 242 3, 244, 285, public enterprise, 271 *et seq.*, 293 4, trade, 39, 52n, 71 *et seq.*, 94, 109 10, 113 *et seq.*, 118 9, 134, 140, 151, 175, 180, 191, 292 3, transport, 99, 121, 144, 157 *et seq.*, 168, 295, woolgrowing, sheep, 31 *et seq.*, 52, 56, 71, 72, 123, 134 *et seq.*, 284  
 New Zealand finance, public and private, 79, 96, 98, 160 *et seq.*, 176, 249 51, 265, industrial arbitration, labour relations, 196, 212, 223, 230, 234, 317, 320, 328 9, land settlement 19 *et seq.*, 27 *et seq.*, 96 7, mining, metals, 113, 178, occupations, unemployment, 29, 175, politics, government, 29, 30, 96, 100, 186, 250 primary production (except woolgrowing), 151, 173 4, 183, 188, 191, 247 8, 249 51 trade, 96, 113, 135n, 161, 172, 175, 191, 247 8, 313 4, transport, 157 *et seq.*, 168 woolgrowing, sheep, 135n, 137, 172, 245, 247 8  
 —Association, 28 *et seq.*  
 Nicholls, Sir George, 11  
 'Nineteen counties', 36  
 Norton, John, 213
- OASTIER, RICHARD, 11, 12  
 O'Brien, William Smith, 84  
 Occupations of the people, 110, 126, 127, 129n, 178 182 3, 196 9, 262 3 276, 285, 288, 291, 295 6, 297  
 O'Connell, Daniel, 84  
 O'Connor, Feargus, 13, 84

- O'Connor, Mr Justice, 322  
 O'Loughlen, Sir Brian, 155.  
 O'Malley, King, 266 8  
 Ottawa conference, 314 5  
 'Overlanding', 45, 50n, 52.  
 Owen, Robert, 11, 12, 22  
 Odey, John, 47.
- PAPUA, 189, 190  
 Parkes, Sir Henry, 260  
 Parry, Sir Edward, 11n  
 'Paterson plan', 315 6  
 Pauperism in England, 6 *et seq.*, 85  
 6, in Ireland, 85, 92, in Scotland,  
 85  
 Peel, Sir Robert, 14, 25, 81, 86, 91,  
 128  
 —Thomas, 20n, 47  
 'Pentonvillams', 87-8, 90 2  
 Phillip, Capt Arthur, 42, 144, 188,  
 271  
 Piddington, A B, 318  
 Pike, Mr Justice, 278 80  
 Poll tax, on stock, 38, 50, 90, 141  
 Population, 49, 56, 95, 109, 113, 298  
 Port Phillip Association, 48  
 Powers, Mr Justice, 326, 327, 328,  
 336  
 Powlett, F. A., 50  
 'Premiers' plan', 308 9  
 Price, Col Tom, 226 7  
 Price fixing, 226 7  
 Prices, *vide* Wholesale prices, Wheat,  
 Wool, etc  
 Pring, Mr Justice, 237  
 Production, 269 70, 276 *et seq.*, 284,  
 285, 286, 291-2, 295 6, 297, 311,  
*et vide* Wheat, Wool etc  
 'Protection', *vide* Tariff policy  
 Public debt, 120, 157 *et seq.*, 249,  
 303, 304, 309 10  
 —enterprise, 269, 271 5, 287,  
 293 5, 297n, 299, 302
- QUEENSLAND convictism, 91, finance,  
 public and private, 160 *et seq.*,  
 251 2, 256, 257, 265, 271, 278 *et*  
*seq.*, 304, industrial arbitration,  
 labour relations, 211, 212, 213, 225,  
 232, 317, land settlement, 36, 37n,  
 50 2, 278 *et seq.*, manufacturing,  
 185 6, mining, metals, 177 9, 243,  
 politics, government, 125, 189, 201,  
 251 2, 259, 325, population, im-  
 migration, 127, primary production  
 (except woolgrowing), 131, 172,  
 183 6, 191, 249 *et seq.*, 285, 296-  
 7, public enterprise, 271 *et seq.*,  
 293 4, trade, 191, transport, 168,  
 169, 295, unemployment insur-  
 ance, 331, woolgrowing, sheep, 127,  
 186, 284.
- RAILWAYS in Australia, 100, 120 2,  
 135, 144, 157 *et seq.*, 244, 271,  
 273, 294 5, in U K, 4, 83, 120,  
 157n  
 Rainfall, areas of low, 151 *et seq.*,  
 242, 270, 277 *et seq.*  
 Rasp, Charles, 179 80  
 Read, Gabriel, 113, 178  
 Reading, Sir Claude, 306  
 Reeves, W P, 129, 215, 229  
 Refrigeration, 170 *et seq.*  
 Ridley, John, 132, 146 8  
 Ripon, Earl of, *vide* Goderich, Vis  
 count  
 Robertson, Sir John, 138, 139  
 Royal Commissions basic wage, 328  
 330, 345, child endowment 330  
 coal industry, 293, 344n goldfields,  
 207, industrial arbitration 232  
 Murray river question, 283,  
 national unemployment insurance  
 330 1, railways, 342n, 344  
 state banking 253n, 257 8, 266  
 strikes, 207, 221, 270, sugar in  
 dustry, 252, 285, 296  
 Russell, George, 48-9  
 —Lord John, 13, 16, 27, 60,  
 81, 82, 91
- SCOTT, THOMAS, 183 5, 188  
 Scullin, J H, 239, 333  
 Service, Sir James, 189  
 Shipping, 99, 167, 187, 272, 293  
 Silver lead industry, 288 9, 290  
 Smith, C H and R B, 132, 151 3  
 'Socialism', 275, 279 80  
 Soldier Settlement, 276 *et seq.*  
 South Australia finance, public and  
 private, 53, 72, 106 7, 160 *et seq.*,  
 256, 265, 271, 278 *et seq.*, 304,  
 industrial arbitration, labour rela-  
 tions, 201n, 211, 213, 215, 218  
 317, land settlement 19 *et seq.*, 23  
*et seq.*, 28 *et seq.*, 37, 41, 53 4, 72,  
 108n, 277 8, mining, metals, 94,  
 125-6, 280, occupations, unemploy-  
 ment, 53, population, immigration  
 26, 27, 35, 53, 79, 86, 125, primary  
 production (except woolgrowing),  
 27, 53 4, 79, 95 6, 125, 145 6  
 151-2, 244, trade, 79, 94, 125 6,  
 140, transport, 121, 157 *et seq.*,  
 283, woolgrowing, sheep, 39, 40,  
 52 3, 79, 125, 137  
 South Australian Association, 24 *et*  
*seq.*

- Commission, 24 *et seq*, 35, 53
- sovereign, 108
- Spence, W G, 207, 218 *et seq*
- Stanley, Lord Edward, 24, 81, 86, 87, 90
- State Electricity Commission of Victoria, 294
- Rivers and Water Supply Commission, 156, 277
- Steel industry, 264, 271, 286 9, 291, 295 6
- Stephen, James, 23n, 28
- Stephens, the Rev J R, 9, 11, 12, 13
- Samuel, 26
- Stewart, Alexander, 246
- Street, Mr Justice (Kenneth), 318
- Strikes and lock outs (1854 5) 203 4, (1856) 211, (1861 2) 204, (1874 91) 208 (1878) 212 3, (1883) 217, (1884) 216 (1888) 206, (1890 4) 195, 208, 213 4, 218 *et seq*, 234, 255, (1903) 234, 235, (1908 9) 234 8, 289, 341, (1911) 252, 287, (1912) 234, 238 40, 325, 341, (1917) 341, 342, (1919) 341, (1925) 341, (1928 9) 333 4, 341, 344, (1929 30) 239, 341, 344
- Strzelecki, Count Sir Paul de, 52n, 94
- Sturt Capt Charles, 23, 24
- Sugar industry, 183 *et seq*, 249 *et seq*, 261, 285, 296
- 'Superphosphate', 149
- Swanston, Capt Charles, 48
- TARIFF POLICY in Australia, 114, 119, 128 9, 174, 183, 186, 215, 252, 260, 261 *et seq*, 274, 287, 310, 313 5, in U K, 81 2
- Tasmania convictism 54, 72n, 86, 87, 108 finance, public and private, 39 41, 160 *et seq*, 278 80, 304, in industrial arbitration, labour relations, 211, 213, 218, 232, 317 8 land settlement, 39 41, 97, 98 108n, mining, metals, 180, 290 politics, government 80 population, immigration, 38 *et seq*, 97, 106 primary production (except woolgrowing), 95 6, 125, 145, trade, 39 *et seq*, 78 9, 97, 108, 192, transport, 157 *et seq*, wool growing, 39, 79, 97, 137
- Telegraph, 120 1, 166
- Telephone, 165 6
- Textile industry, 1, 297 8
- Theodore, E G, 305, 308, 309
- 'Thirds', 37
- Thomson, Dr A, 48
- Torrens, Col Robert, 25, 27, 28
- Sir Robert, 171
- Trade Australian overseas, 1, 32, 38, 77 8, 101, 103, 113, 124, 125, 134, 135, 167, 172, 175, 187 8, 242, 243, 246 9, 257, 269 71, 284 5, 289, 291, 297, 306, 311 *et seq*, British overseas, 1, 20, 81 2, 84, 101, 114, 124, 125, 135, 169, 175, 190 1, N Z overseas, 247 9
- Trade unionism, 75 6, 194 *et seq*, 202 *et seq*, 218 *et seq*, 325, 340 *et seq*
- Trade union and employers' associations Amalg Engineering U, 217, 218 Amalg Miners' Assoc, 202, 206, 207 9, 217, 218, 220 223, 226, 227 8, 236 7, Amalg Shearers' U, 209, 217, 218 9, 220, 223, 233 4, Amalg Slaughtermen's U, 216, Amalg Tinsmiths' U, 217
- Assoc Banks, 254 *et seq*, 275, 301, 306, Assoc Coal Owners of N S W, 204, 223, 225, A/asian (subs Aust), Council of Trade Unions, 346 7, A/asian Typographical U, 208 Aust Coal & Shale Employees' U, 203, 217, 337, 339, 345, Aust Employers' Fed, 322n, Aust Labour Fed, 238, 325, Aust Railways U, 215, 217, Aust Soc of Progressive Carpenters & Joiners, 210n, Aust Tramway Employees' Assoc, 238 Aust Workers' U, 217, 233 4, 322, 345, 346
- Barrier Ranges Miners' Assoc, 208 B R Mining Cos' Assoc, 227, B R United T & L Council, 209, Bendigo Miners' Assoc, 207, Brisbane Tramway Emp Assoc, 239, Builders' Labourers' U, 326, Building Trades Council, 211n
- Coal Miners' Mut Protec Assoc, 202 C M M P A of the Western District, 205 Coal Trade Assoc, 204, 205 Coal Vend, 205, Electric T U 343 Enginemen's & Firemen's U, 215
- Federated Clothing T U, 216, Fed Ironworkers' Assoc, 217, Fed Seamen's U, 212, 223, Fed Stewards' & Cooks' U, 212, 223
- Friendly Soc of Carp & Joiners, 210n, Gas Employees' U, 326, 327, 328, Hobart T H C, 237, Hunter R Coal Miners' Mut Protec Assoc, 202, 203, 206, 217, Illawarra Miners' U, 205 6, 223 Inter colonial Employers' U, 216n, In

- tercol T.U.C., 223, Iron Founders U., 217, I.W.W., 343, 345, Labour Defence Cttee., 214, 218, 223, 226, 229, 239, Lithgow Miners' U., 205, 223, Loco Eng. & Firemen's Assoc., 214 5, 235, London Working men's Assoc., 12
- Melbourne Ch. of Comm., 126, 127 Melb. Ch. of Manuf., 200, Melb. Coal Lumpers' U., 213, Melb. T.H. Cttee., 211n, Melb. T.H.C., 209n, 216, 221, 235, 346, Melb. Wharf Labs' U., 213, Merc. Marine Officers' Assoc., 221, 223, Mineowners' Assoc., 208, Miners' Fedn., 203, 217, 337, 339, 345, Mining Managers' Assoc., 236, Mut. Protec. Soc., 75 6, 217
- Newcastle Miners' U., 206, 217, N.S.W. Amalg. Rail & Tram Serv. Assoc., 214, N.S.W. Employers' U., 224, N.S.W. Op. Plasterers' Assoc., 210n N.S.W. T. & L.C., 209, 211n, 214, 222, 319, 343, 345, 346, N.S.W. Typog. Assoc., 218, N.Z. Maritime Council, 223
- One Big Union', 345 6 Op. Masons' Soc., 209 10, 217 Op. Slaters' Soc., 210, Op. Stone masons' Soc., 211n
- Pastoralists' Unions, 222, 224, 225, 228, 259, Port Phillip Benefit Soc., 218, Pressers' U. of N.S.W., 216, Q. Employers' Fedn., 239, 240, Q. Rail Emp. Assoc., 214, Q. Shearers' U., 214, 225, Soc. of Free Workers, 252 Soc. of Op. Plasterers, 210, Sheet Metal W.I.U.A., 217 S.S. Owners' Assoc. of Aust., 212, 220, 235
- Sydney Coal Lumpers' U., 212, 223, Syd. Maritime Council, 213 4, Syd. Prog. Soc. of Carp. & Joiners, 210, 217, Syd. Trolley & Draymen's U., 213 4, 223, Syd. Typog. Assoc., 218 Syd. Wharf Labs' U., 223
- Timberworkers' U., 334, United T. & L.C. of S.A., 347, Victorian Op. Bootmakers' U., 215, Vic. Boot Manufacturers' Assoc., 215 6, Vic. Tailoresses' Assoc., 216, Vic. Tailors' Soc., 216 Waterside Workers' Fedn., 217, 333, W.I.U.A., 345
- Tramways, 99 100, 167 8
- Turner, Sir George, 232
- H. G., 253n.
- UNIVERSITY OF MELBOURNE, 210, 213, of Sydney, 99
- U.S.A., 1, 5, 103n, 117, 123 4, 131, 133, 138, 145, 157n, 165, 175 6, 181, 188, 191, 211, 284, 289, 316
- U.S.S.R., 284, 316
- VICTORIA convictism, 91 finance public and private, 108, 115 *et seq.*, 118 20, 160 1, 253 *et seq.*, 265, 271, 276 *et seq.*, 304, industrial arbitration, labour relations, 207 *et seq.*, 212 3, 214 *et seq.*, 221 *et seq.*, 230, land settlement, 6 21, 36, 37, 38 *et seq.*, 43 *et seq.*, 49, 50, 55, 73, 126 7, 154 7, 276 *et seq.*, manufacturing, 129, 153 181 2, 199, 215, 262 3 297, 323 4 mining, metals, 10, 103 *et seq.*, 243, occupations, unemployment 105 6, 110, 122, 129, 178 182 198 9, 243, 258, 261, 262 3 politics, government, 206 7, 261 population, immigration, 48, 49, 79, 92 108 109, 110, 114, 119 125 126 7, 258, primary production (except woolgrowing) 95 6, 125 141, 142 4, 145, 154 7, 169, 173 4, 276 *et seq.*, public enterprise, 293, 294 tariff policy, 119, 128 9, 174, 261 trade, 108, 109, 113 *et seq.*, 118 9, 175, 191, 257, transport, 121, 144, 157 *et seq.*, 168, 173, 214, 254, 295 woolgrowing, sheep, 44 48, 50, 52, 109, 123, 137, 284
- Village settlements, 250 1, 271
- WADE, G. C., 236, 320
- Wages, 75n, 146, 203, 226, 251, 252, 316 *et seq.*, 323 *et seq.*, 334 7, 340n
- boards, 232, 233, 324 5
- Wakefield, E. G., 19 *et seq.*, 24, 28 35, 70, 73
- family, 24, 29
- Water supply, 41, 121, 154 7, 277, 282 4
- Watson, J. C., 267
- Wellington, Duke of, 26n
- Wentworth, W. C., 18, 69n, 76 8 92, 143
- Western Australia finance, public and private, 79, 157, 160 *et seq.*, 254, 278 80, industrial arbitration labour relations, 211, 231n, 317 land settlement, 20n, 47, 277 8 mining, metals, 94, 243 269 70 politics, government, 100, 259 population, immigration 94, 100 trade, 192, transport, 157 *et seq.*,

- 294, 295; woolgrowing, 137.  
 Westgarth, William, 171.  
 Wheat industry 144 *et seq.*, 151,  
     156, 242, 243, 244, 249,  
     277 *et seq.*, exports, produc-  
     tion, 145, 169, 242, 277,  
     279, inventions, 146-8, 151-  
     4, prices, 151, 281-2, 307;  
     varieties, 148, 154.  
     —in Canada, 169, 191.  
     —in N.Z., 191  
     —in U.K., 6, 81-2.  
     —in U.S.A., 145, 191.  
 Wholesale prices, 1, 71, 82, 85, 95,  
     192-3, 225, 226, 242, 246, 249,  
     284, 306-7.
- Whitmore, Wolryche, 23, 26n.  
 Wise, B. R., 235.  
 Wolseley, F. Y., 136.  
 Wool industry. 31, 56 *et seq.*, 123-4,  
     133 *et seq.*, 269, 284, 301-2, ex-  
     ports, production, 32, 38 *et seq.*,  
     72, 85, 123-4, 134, 136, 137, 190,  
     244-5, 284-5, 307, 312; inventions,  
     methods, 123, 134, 136, prices, 71,  
     72, 85, 95, 137, 192, 224-5, 284,  
     307.
- YOUNG, SIR HENRY, 106.
- ZINC INDUSTRY. 290